Application No: A.14-06-
Exhibit No.:
Witness: Paul Borkovich

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| Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Low Operational Flow Order and Emergency Flow Order Requirements | ) ) ) ) ) ) | A.14-06-<br>(Filed June 27, 2014) |

**PREPARED DIRECT TESTIMONY OF**

**PAUL BORKOVICH**

**SOUTHERN CALIFORNIA GAS COMPANYAND**

**SAN DIEGO GAS & ELECTRIC COMPANY**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 27, 2014

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**PREPARED DIRECT TESTIMONY**

**OF PAUL BORKOVICH**

## I. PURPOSE

The purpose of my testimony is to: 1) provide background information on the transportation balancing rules currently in effect on the Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company ( SDG&E) systems; 2) request approval of the tariff modifications presented in Attachment A to implement the low Operational Flow Order (OFO) and Emergency Flow Order (EFO) requirements proposed by SoCalGas and SDG&E; 3) explain the differences between the SoCalGas and SDG&E low OFO and EFO proposal and Pacific Gas and Electric Company's (PG&E) low OFO and EFO procedures; 4) estimate the information systems costs to implement the low OFO and EFO proposal for SoCalGas and SDG&E; and 5) request minor changes to the Purchase Gas Accounts (PGA) and Noncore Fixed Cost Accounts (NFCA) for SoCalGas and SDG&E to account for low OFO and EFO noncompliance charge revenue.

## II. BACKGROUND

### A. Balancing Rules

Transportation balancing rules for PG&E, SoCalGas and SDG&E were implemented on August 1, 1991, in compliance with Commission Decision (D.)90-09-089. This decision required the utilities to implement monthly balancing rules that have essentially remained in effect since then.

Under these balancing rules, the SoCalGas and SDG&E Utility System Operator (System Operator) provides Monthly Imbalance Service for individual transportation customers including the Utility Gas Procurement Department, end-use customers, wholesale customers, marketers and aggregators. The Monthly Imbalance Service has four components: Imbalance Trading, a no-charge Balancing Service, Standby Procurement Service, and Buy-Back Service.

Balancing Service is provided without charge if the cumulative imbalance at the end of the monthly imbalance trading period is within 10 % of the customer's usage for the billing period. Standby Procurement Service is provided when usage exceeds scheduled deliveries by more than 10% and Buy-Back Service is provided when scheduled deliveries exceeds usage by more than 10%. In D.90-09-089, the Commission also required that "Standby service shall have the lowest priority during periods of curtailment." Consequently, SoCalGas Rule 23 and SDG&E Gas Rule 14 provide that standby procurement service is the lowest priority service on each system.

SoCalGas and SDG&E's monthly balancing rules are much more liberal than those offered by the interstate pipelines that serve its system. Robust storage assets on the SoCalGas system allow SoCalGas and SDG&E to offer a monthly balancing service that is significantly more generous than the majority of the industry. These storage assets are available to serve customer demand well in excess of our integrated system's capacity to receive flowing supplies. These storage assets, however, are a complement to flowing supplies, not a complete replacement, a fact made clear by the curtailments SoCalGas and SDG&E were forced to call in December 2013 and again in February 2014.

### B. Winter Balancing Rules

In July of 1997, in response to significant gas shipper underperformance during the 1996-97 winter heating season, SoCalGas sought authorization for new winter balancing rules.[1] The Commission granted the requested authorization in D.97-11-070, agreeing with SoCalGas and SDG&E that such rules were reasonable and necessary. The Commission found that gas

[1] SoCalGas pursued this authorization via a petition to modify D.90-09-089.

shippers whose usage substantially exceeds their scheduled gas receipts are effectively receiving free use of the SoCalGas storage system, creating a circumstance where core customers must pay for high-cost gas supplies to balance the entire system.[2] The Commission concluded that core customers should not subsidize underperforming gas shippers and that existing rules should be modified to provide gas shippers with better incentives to match gas deliveries with gas use and thereby reduce the risk that core customers will have to pay for higher priced gas.[3]

Winter balancing rules impose more restrictive balancing requirements on customers during the November-March winter operating period. Depending on the storage inventory levels relative to the peak day minimum inventory levels, the winter balancing requirement can either be 50% over a 5-day period; 70% on a daily basis; or 90% on a daily basis. For the past five years, the 5-day/50% balancing mechanism has been in effect for approximately 93% of the historical winter period.

Currently, when not enough flowing supply is being scheduled into the SoCalGas/SDG&E system to maintain system operations under the winter balancing rules, SoCalGas and SDG&E have no option other than curtailing Standby Procurement Service or transportation service, as was done in December 2013 and again in February 2014. In both instances the 5-day/50% mechanism did not provide sufficient incentives for transportation customers to schedule enough gas deliveries into the SoCalGas and SDG&E systems to meet system flowing supply requirements.

**C. Standby Procurement Service**

Standby Procurement Service allows customers to underschedule pipeline receipts and storage withdrawals at no charge during the winter heating season so long as aggregated

[2] D.97-11-070, mimeo., at 10 (Finding of Fact 6).
[3] D.97-11-070, mimeo., at 10-11 (Conclusions of Law 1 and 2).

imbalances do not exceed: 1) specified Winter Delivery balancing tolerances during the winter heating season, and 2) 10% on a monthly, year round basis.[4] The storage asset used to provide daily Standby Procurement Service is 340 MMcfd of firm withdrawal capacity that is reserved for this purpose. When the aggregate customer transportation imbalance exceeds 340 MMcfd the excess imbalances must be covered with either incremental gas purchases or by assets and supply reserved and owned by other customers who are not using them.

### D. PG&E Gas Accord OFO and EFO Provisions

On August 21, 1996, PG&E filed for Commission approval of The Gas Accord Settlement Agreement (Gas Accord) which included OFO and EFO provisions that require out-of-tolerance customers to balance supply and demand daily when operationally necessary. These OFO and EFO provisions required daily balancing and imposed penalties for noncompliance. On August 1, 1997, the Commission issued D.97-08-055 approving the Gas Accord including the OFO and EFO provisions.

### E. SoCalGas' Previous Low OFO Proposal

Under the Phase 1 Settlement in the 2009 BCAP proceeding that was adopted by the Commission in D.08-12-020, SoCalGas and SDG&E agreed to not institute a low OFO procedure for the term of the Settlement. The Phase 1 2009 BCAP Settlement expires on December 31, 2014. That is why we are proposing that our low OFO and EFO requirement be adopted as of January 1, 2015.

## III. PROPOSED TARIFF CHANGES

As explained by Mr. Watson, SoCalGas and SDG&E are requesting approval of low OFO and EFO requirements that are consistent with the low OFO and EFO procedures set forth in Section E and F of PG&E's Gas Rule No. 14. Redline changes to the affected rules and rate

[4] *See* SoCalGas and SDG&E's Schedule G-IMB.

schedules for SoCalGas and SDG&E to implement these mechanisms can be found in Attachment A to this testimony.

The gas transmission systems of SDG&E and SoCalGas are operated on an integrated basis under integrated transmission rates. But each utility continues to serve its respective transportation customers, contracted marketers and core aggregators under separate tariff rules and rates using separate billing systems. For that reason I am sponsoring rule and rate changes for both SoCalGas and SDG&E in order to implement the low OFO and EFO proposal on a consistent basis on the integrated gas transmission system.

The provisions to establish low OFO and EFO mechanisms for SoCalGas will be added to SoCalGas' Rule 41. The requirements for customer compliance with the low OFO and EFO requirements will replace the winter balancing requirements currently specified in SoCalGas Rule 30 and SDG&E Gas Rule 30. SoCalGas and SDG&E are making these changes to Rules 41 and 30, rather than to their curtailment rules (Rule 23 and Rule 14), because SoCalGas and SDG&E have consistently treated balancing requirements as a component of their respective Rule 30 that sets forth the requirements for the transportation of customer-owned gas.

As discussed by Mr. Watson and Ms. Musich, the low OFO and EFO provisions will replace the winter balancing rules. The implementation of low OFO and EFO procedures will also obviate the need for separate standby service curtailment procedures, so these procedures can be removed from SoCalGas Rule 23 and SDG&E Gas Rule 14, and Schedule No. G-IMB for both utilities, upon implementation of the new low OFO and EFO requirements. SoCalGas and SDG&E would also remove the language relating to winter balancing rules from their rate Schedule G-IMBs, and replace them with terms relating to the new low OFO and EFO provisions.

### A. SoCalGas Rule 41

Rule 41 presents the structure, procedures and protocols for the mission of the System Operator to maintain system reliability and integrity while minimizing costs at all times. Rule 41 as implemented defines the procedures for the determination of OFOs to address overnominations, which I will refer to now as high OFOs; determination of the Southern System minimum flow requirement; and the purchase and sale of gas to meet this requirement.

Two new sections will be added to Rule 41 that describe the methodology used by Gas Control to determine when either a low OFO or EFO is required. Where applicable, the existing OFO procedure will be renamed high OFO in order to better differentiate the existing procedure from the new low OFO and EFO procedures.

### B. SoCalGas Rule 30 and SDG&E Gas Rule 30

The section of SoCalGas and SDG&E's Rule 30 dealing with OFOs triggered by "Nominations in Excess of System Capacity" will be renamed high OFOs in order to differentiate them from the low OFO procedure we are proposing in this application. No other changes are being proposed to the high OFO procedure in Rule 30.

The Winter Delivery section of Rule 30 will mostly be deleted and replaced with the low OFO and EFO procedures. Specific changes include a table showing the five stages of the low OFO and EFO requirements, the corresponding daily imbalance tolerance and noncompliance charge; and the adoption of the term "Balancing Agent" to better describe all customers financially responsible for managing and clearing transportation imbalances. SoCalGas and SDG&E propose to maintain the limitation on interruptible storage withdrawals currently in place when the 70% Winter Delivery daily balancing rule is in effect during low OFO and EFO events to better maintain withdrawal capacity required for meeting imbalances within the specified low OFO and EFO requirements.

Determination of daily usage for Balancing Agents without automated meter reading capability is defined, and an exemption from low OFO noncompliance charges when noncompliance quantities are less than 10,000 therms per event is proposed. Daily usage quantities used to determine low OFO and EFO noncompliance quantities will be those quantities recorded as of the close of the applicable billing month. No adjustments to noncompliance charges or daily noncompliance quantities will be made if later adjustments are made to monthly usage due to measurement error.

The EFO section lays out the specific requirements for Balancing Agent compliance when an EFO is issued. An EFO will have a zero imbalance tolerance and a noncompliance charge of $5 per therm plus the G-IMB Daily Balancing charge. The less than 10,000 therm exemption for low OFOs is not applicable to EFOs.

Information regarding system sendout, withdrawal capacity, and net withdrawals will continue to be posted on SoCalGas' Envoy electronic bulletin board. SoCalGas proposes continuing to offer to nominate firm withdrawals from storage on behalf of wholesale customers to match 100% of usage if requested to do so by the customer.

### C. SoCalGas Rule 23 and SDG&E Gas Rule 14

Under current rules, the curtailment of standby procurement service requires customers to schedule at least 90% of usage for each curtailment period. Implementation of the low OFO and EFO procedures will allow the implementation of daily balancing requirements that range from 75% to 100% of usage for each day the order is in effect. The applicable daily balancing requirement will be selected by Gas Control based on their judgment of what is required to maintain reliability and system integrity. Approval of the low OFO and EFO procedures essentially replaces a complicated curtailment procedure with a straight-forward daily balancing requirement. Retaining the curtailment of standby procurement service provisions in place could cause confusion, and would not be consistent with PG&E's low OFO and EFO procedures. For this reason, SoCalGas and SDG&E propose to remove all provisions relating to the curtailment of standby procurement service from their respective curtailment rules.

**D. Rate Schedule G-IMB**

SoCalGas and SDG&E propose to revise their Daily Balancing Standby Rates by removing the existing provisions relating to winter balancing rules and replacing them with a rate that will only be in effect when a Stage 5 low OFO or EFO is issued. SoCalGas and SDG&E propose that the Daily Balancing Standby Rate use the highest day-ahead index for locations accessed by the upstream pipelines serving the SoCalGas/SDG&E system and the SoCalGas Citygate that are posted on the InterContinental Exchange (ICE). These indices are specifically identified on ICE as: 1) SoCal-Citygate; 2) PG&E Citygate; 3) EP-Permian; 4) EP-SJ Blanco; and 5) Opal Plant Tailgate.

Selecting the highest index price for quantities required to make up the difference between a Balancing Agent's scheduled deliveries and the specified daily balancing tolerance should establish a strong incentive for Balancing Agents to schedule flowing supplies during times of extreme stress on our system.

## IV. DIFFERENCES BETWEEN SOCALGAS AND SDG&E'S PROPOSAL AND PG&E'S PROCEDURES

As explained by Ms. Musich and Mr. Watson, the guiding principle for SoCalGas and SDG&E's current proposal is to obtain approval of low OFO and EFO requirements that are very similar to PG&E's existing low OFO and EFO requirements, with certain limited differences. As explained by Mr. Watson, the main substantive difference is the fact that SoCalGas and SDG&E's requirements are triggered by levels of storage rather than linepack. But there are also additional minor modifications that we are proposing to reflect certain differences in our systems and existing tariff language. This section of my testimony explains each of these differences.

### A. Applicability

PG&E's low OFO requirement can be applied to address underdeliveries on either a system-wide, local, or customer-specific basis. As explained by Mr. Watson, SoCalGas and SDG&E's low OFO and EFO requirement would be limited to managing underdeliveries on a system-wide basis.

### B. Trigger

PG&E will issue a low OFO or EFO if their forecast of pipeline inventory falls below specified pipeline inventory limits. SoCalGas and SDG&E will not be issuing a low OFOs or EFOs based upon forecast pipeline inventory limits. As explained by Mr. Watson, our approach will instead be based upon the projected use of firm withdrawal to meet customer transportation imbalances. A low OFO or EFO will be issued by Gas Control when transportation imbalances are forecast to exceed firm withdrawal capacity set aside for balancing.

### C. Noticing Deadlines

PG&E does not impose noncompliance charges for the first day of an OFO event if notice is given after 6 PM the day prior to the start of the OFO event. While SoCalGas and SDG&E will strive to give as much advance notice as possible, noncompliance charges will not be waived so long as notice is provided at least 2 hours prior to the Intraday 1 Nomination Deadline for the day the low OFO goes into effect.

### D. Core Waivers

PG&E is required by D.01-02-049 to waive OFO noncompliance charges incurred by core customers under certain specified conditions. Since D.01-02-049 does not apply to SoCalGas or SDG&E, these waivers are not included in our low OFO and EFO proposal.

### E. Self-Balancing Option

PG&E has specific requirements for Balancing Agents who have selected the Self-Balancing Option pursuant to PG&E's Gas Schedule G-BAL. Since neither SoCalGas nor SDG&E offer a similar option, and customers have not expressed an interest in such service, these requirements are not included in SoCalGas and SDG&E's low OFO and EFO proposal.

### F. Compliance Determination

PG&E specifies conditions for the determination of OFO and EFO compliance and charges for noncompliance. SoCalGas and SDG&E are proposing similar conditions in their low OFO and EFO proposal. Variations between our two approaches are mostly attributable to differences in vocabulary used to describe customer types and conditions of service. In addition, SoCalGas and SDG&E propose to limit the impact of rebilling due to measurement error on the calculation of noncompliance quantities and charges for low OFOs and EFOs after they have already been charged to a Balancing Agent. As a result, subsequent rebillings will not involve the recalculation of noncompliance charges, which we believe would be a preferable approach for our customers and their contracted marketers and other agents.

### G. Noncompliance Charges

SoCalGas and SDG&E propose noncompliance charges for Stage 1-4 low OFOs equal to those currently charged by PG&E for Stage 1-4 OFOs. For both Stage 5 OFOs and EFOs PG&E charges $25 per Dth plus the DCI. The DCI is the PG&E Daily Citygate Index Price as published in Gas Daily rounded up to the next whole dollar. SoCalGas and SDG&E propose to charge an equivalent $2.50 per therm plus the Daily Balancing Standby Rate noncompliance charge for both Stage 5 low OFOs and EFOs. As described previously, rather than limiting the Daily Balancing Standby Rate to a SoCalGas citygate index price rounded up to the next whole dollar, SoCalGas and SDG&E are proposing to base the rate on the highest index price for supply that can be delivered to the SoCalGas system. SoCalGas and SDG&E believe that basing the rate on the highest price supply available will maximize the incentive for Balancing Agents to procure supply rather than pay the noncompliance charge during critical periods when Stage 5 low OFOs or EFOs are issued.

## V. INFORMATION SYSTEM MODIFICATIONS AND COSTS

Information system enhancements are required to be made to both SoCalGas Envoy and the Special Contract Billing System to implement low OFO and EFO requirements for SoCalGas customers. Actual programming will begin once Commission approval is received. Depending on the timing of the authorization, enhancements could be implemented in stages to allow a more timely implementation of the low OFO and EFO requirements. Cost of these enhancements is estimated to be less than $2 million.

Relatively minor modifications are required to implement low OFO and EFO requirements for SDG&E customers. These modifications are limited to reprogramming of spreadsheet systems currently used by SDG&E to bill noncore customers, contract marketers, and core aggregators. The cost of these modifications is estimated to be less than $50,000.

## VI. RATE TREATMENT FOR LOW OFO AND EFO NONCOMPLIANCE CHARGES

SoCalGas and SDG&E propose to treat low OFO and EFO noncompliance charge revenues in the same manner as we treat revenues from noncompliance with our existing winter balancing requirements. Under this approach, noncompliance revenue from noncore customer suppliers and core aggregators will be credited to the Purchased Gas Account, and noncompliance revenues from bundled core customers (Gas Acquisition) will be debited from the PGA and credited to the Noncore Fixed Cost Account. The redlined tariff changes needed to facilitate this treatment are included in Attachment A.

## VII. QUALIFICATIONS

My name is Paul D. Borkovich. I am employed by SoCalGas as the Capacity Products Support Manager in the Energy Markets and Capacity Products Department. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. My responsibilities are to manage transportation services provided to suppliers and marketers who provide gas to SDG&E and SoCalGas customers. I also manage the Backbone Transportation Service program, the California Energy Hub back office, policies and procedures for scheduling and nominations on the SDG&E and SoCalGas systems, daily operation and enhancements to SoCalGas' Electronic Bulletin Board, and all aspects of SoCalGas and SDG&E's interconnect and operational balancing agreements with pipelines delivering natural gas into their integrated transmission system.

I have been employed by SoCalGas in numerous positions including: Senior Accounts Manager, Project Manager, Market Strategy Manager, Senior Market Advisor, Gas Scheduling Manager, Regulatory Affairs Administrative Manager, Account Executive Supervisor, Account

Executive, Market Analyst, and Energy Systems Engineer. I have been responsible for various aspects of utility operations, sales and marketing, regulatory matters, and customer relations. I graduated in 1981 from University of California Santa Barbara with a Bachelor of Science Degree in Mechanical Engineering and in 1985 from the University of Southern California with a Master of Science Degree in Petroleum Engineering.

I have previously testified before the California Public Utilities Commission.

This concludes my prepared direct testimony.

# Attachment A

# SoCalGas Rule 23

Rule No. 23 Sheet 1

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

A. General

The Utility will exercise reasonable diligence and care to furnish and deliver service to its customers, and to avoid any interruption of same. The Utility shall not be liable for damages or otherwise for any failure to deliver gas or provide service to its customers, which failure in any way or manner results from breakage of its facilities, however caused, war, riots, acts of God, strikes, failure of or interruption in service, operating limitations or other conditions beyond its reasonable control.

B. Priority of Service

In the event of a curtailment, as defined in Rule No. 1, the Utility shall curtail gas service to customers as described in Section C, Curtailment of Service, herein. Customer usage will be assigned to appropriate end-use priority or service classifications as set forth below.

Core Service

Priority 1 All residential usage regardless of size. All nonresidential usage less than 20,800 therms per active month*, excluding usage reclassified to noncore service pursuant to customer request. All electric generation, refinery and enhanced oil recovery (EOR) usage less than 20,800 therms per active month* electing core service.

Priority 2A All nonresidential usage of 20,800 therms or greater per active month* eligible for core service, not electing noncore service.

Noncore Service

Noncore Service includes: (1) commercial and industrial usage electing noncore service, (2) electric generation, EOR, and refinery usage less than 20,800 therms per active month* electing noncore service, and (3) all usage ineligible for core service, including (a) refinery and EOR usage of 20,800 therms or greater per active month* and (b) all electric generation usage from generators greater than 1 megawatt (MW) system rated generating capacity, based on net continuous power output with usage of 20,800 therms or greater per active month*.

Firm Service All usage served through firm intrastate transmission service.

Interruptible Service All usage served through interruptible intrastate transmission service. T
Interutility deliveries shall be considered interruptible intrastate service.

* A customer shall be considered to meet the size criteria of 20,800 therms or greater per active month when on an annualized basis, for any period of 12 contiguous months within the most recent 24-month period, the customer's active month consumption averages 20,800 therms or greater. An active month is one in which consumption exceeds 1,000 therms.

(Continued)

B. Priority of Service (Continued)

Off-System Delivery Service N

| | |
|---|---|
| Firm Service | All transportation served through firm off-system delivery service. |
| Interruptible Service | All transportation served through interruptible off-system delivery service. N |

C. Curtailment of Service

1. Effectuation of Curtailment

When in the judgment of the Utility, operating conditions require curtailment of service and/or the diversion of customer-owned gas, such curtailment shall be effectuated in the order and manner described below, unless otherwise specified in this rule.

~~(1) All Standby Procurement service.~~ D

(~~2~~1) All Interruptible Off-system Delivery service. Customers will be curtailed on a pro rata basis (by equal percentage) at an off-system delivery point. D,N N

(~~3~~2) All Firm Off-system Delivery service. Customers will be curtailed on a pro rata basis at an off-system delivery point. D,N N

(~~4~~3) All interruptible storage withdrawal service or portions thereof according to the interruptible withdrawal reservation price paid with customers paying the lowest price curtailed first and customers paying the highest price curtailed last. Customers paying the same price will be curtailed on a pro rata basis with the exception that all UEG service shall be curtailed before cogeneration service.

(~~5~~4) All interruptible intrastate service according to the percentage of default rate paid, as defined in Rule No. 1, with customers paying the lowest percentage of default curtailed first. Customers paying the same percentage of default shall be curtailed on a pro rata basis with the exception that all UEG service shall be curtailed before cogeneration service where such service is at the same percentage of default. D



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2C0 RESOLUTION NO.

C. Curtailment of Service (Continued)

1. Effectuation of Curtailment (Continued) L

(~~6~~5) All firm intrastate service on a rotating basis as described in Section C.2 herein. ~~During any period of firm intrastate service curtailment, standby procurement service shall be made available to core transportation customers. During such a curtailment period, however, core transportation customers using standby procurement in excess of the 10% tolerance band described in Schedule No. G-IMB shall pay the curtailment violation penalty described herein.~~

(~~7~~6) All firm unbundled storage withdrawal, equally with the Utility's core price function storage, on a pro rata basis with the exception that all UEG service shall be curtailed before cogeneration service.

(~~8~~7) All Priority 2A service on a pro rata basis.

(~~9~~8) All Priority 1 non-residential service on a pro rata basis.

(~~10~~9) All Priority 1 residential service on a pro rata basis. L

2. Curtailment of Firm Intrastate Service

Firm intrastate service curtailment shall be effectuated by customer rotation. For determining the order of such curtailment, customers shall be separated into two firm service curtailment lists. The first list shall be for UEG and cogeneration customers and the second list shall be for all other firm service customers. Each curtailment list shall be ordered by individual customer as described in Section C.1. The order of customers for the two lists shall be established by lottery or other non-discriminatory means prior to the implementation date of the CPUC's Capacity Brokering Rules. The customer distribution for the two lists shall be maintained for the ten-year period beginning on the date of such implementation. During the ten-year period, new customers to firm service shall be randomly assigned a position on the appropriate list.

Once the order of the customers is established for each firm service curtailment list, the Utility shall aggregate customers with peak-day usage under 20 MMcfd into "blocks" of approximately 20 MMcfd, to the extent possible. Such aggregation shall be accomplished in the order of the listed customers for each list. Customers with peak-day usage of 20 MMcfd or more shall remain separately listed and shall be considered as one curtailment block. In the event firm service customers are added or deleted from the curtailment lists over the ten-year period, the Utility shall adjust the aggregation of the customer blocks as necessary. L

C. Curtailment of Service (Continued)

2. Curtailment of Firm Intrastate Service (Continued)

In the event of a firm service curtailment, the Utility shall curtail, in unison, that number of customer blocks necessary to provide for a sufficient level of curtailment. The customer blocks curtailed shall be established by (1) selecting the first customer block from one firm service list, (2) then selecting the first customer block from the other firm service list, and (3) continuing such alternating selections down the two lists until that level of curtailment is reached that is operationally necessary. At the conclusion of the curtailment of the initially curtailed customer blocks, additional customer blocks shall be curtailed, if necessary, using the same alternating method beginning with the customer block immediately following the last block selected. Once all customers on a particular firm service list have been selected for curtailment, the alternating rotation process for such list shall continue at the beginning of the list. L

In the event the curtailment of the last customer block selected would result in exceeding the level of curtailment operationally necessary, then the customers within that block shall be selected for curtailment based on the customer order within the block. Those customers not selected shall be treated as a separate block in succeeding curtailment rotations. If the curtailment of an individual customer would result in exceeding the level of curtailment necessary, then such customer shall be curtailed only to the level of curtailment which is necessary. Such partial curtailment shall still constitute an interruption for the purposes of the Service Interruption Credit.

For the UEG and cogeneration customer firm service list, UEG customers shall be listed before cogeneration customers. For each curtailment episode, UEG customers must be curtailed at least once using the alternating rotation process described above before beginning the curtailment order of cogeneration customers.

3. Transfers of Intrastate Curtailment

Firm and interruptible intrastate customers may make arrangements among themselves to transfer curtailment requirements in the event the Utility curtails service. Through such arrangements, responsibility for the curtailment imposed by the Utility shall be transferred from the original customer to be curtailed ("original curtailment assignee") to another customer or group of customers ("curtailment transferee") who would not otherwise be curtailed. All of the customers involved in the curtailment transfer must execute and provide to the Utility a Notice of Intrastate Curtailment Transfer (Form No. 6600).

L

(Continued)

C. Curtailment of Service (Continued)

3. Transfers of Intrastate Curtailment (Continued)

In the event the Utility provides curtailment notification to the original curtailment assignee less than 48 hours prior to initiation of the curtailment of such customer, the Utility must receive the Notice of Intrastate Curtailment Transfer, executed by all customers involved in the transfer arrangement, within 24 hours of the Utility's notification to the original curtailment assignee. In the event the Utility provides more than 72 hours notice to the original curtailment assignee, the Utility must receive the Transfer Notice, signed by all involved customers, no later than 48 hours prior to the scheduled initiation of curtailment of the original curtailment assignee. In the event of a curtailment, parties involved in a transfer of intrastate curtailment shall have their authorized curtailment quantity (ACQ) adjusted to reflect the transfer. The original curtailment assignee shall have its authorized curtailment quantity increased and the curtailment transferee shall have their authorized curtailment quantity decreased. Any penalties and charges assessed to either the original curtailment assignee or the curtailment transferee, due to either parties' failure to curtail, will be based upon transfer-adjusted ACQ's for each party. D,N N | | | | N D

The Service Interruption Credit (SIC) shall not apply to curtailed or diverted quantities transferred among customers and the original curtailment assignee shall be considered as having been curtailed for the purposes of the firm intrastate curtailment rotation list described in Section C.2 herein.

For the purpose of facilitating transfers of intrastate curtailment, as described in Section C.3, the Utility shall maintain a curtailment list by customer facility, as defined in Rule No. 1, for interruptible and firm intrastate service with the exception that for UEG customers, the curtailment order shall be listed by all service for an individual UEG customer for a particular level of service (firm or interruptible) and by percentage of default for interruptible service. The Utility shall make the curtailment list available to firm and interruptible end-use customers upon request.

4. Operating Emergency Declared By A Customer

In the event of an operating emergency as declared by a customer at the customer's facility, service may be made available out of the normal curtailment pattern order, if in the judgment of the Utility it is possible to do so. Out-of-pattern deliveries will be provided to critical customers, as defined in Rule No. 1, whenever they declare an operating emergency. In such an event, subsequent out-of-pattern curtailment may be imposed on the customer in order to balance the amount of curtailment with other customers at the same level on the curtailment order.

(Continued)

C. Curtailment of Service (Continued) L

5. Intrastate California-Produced Supply

Noncore transportation service for customer-owned, California-produced gas, excluding exchange service and service at less than full tariff rates, shall be treated hereunder as firm intrastate transmission service. Noncore transportation service for customer-owned, California-produced gas under exchange agreements or at less than full tariff rates shall be treated hereunder as interruptible intrastate service.

6. Restoration of Service

When curtailment of service is to be decreased, restoration of service shall be made (a) in the same manner as described in Section C.1, but inversely to the order given, and (b) to the level of service which in the judgment of the Utility can be provided. However, the Utility reserves the right to restore firm intrastate service in such order as it deems necessary irrespective of the curtailment rotation list described in Section C.2 herein. L

D. Diversions of Customer-Owned Gas

In the event insufficient gas supply or capacity is available for the Utility to meet the requirements of its customers, the Utility may effectuate involuntary and/or voluntary diversions of customer-owned gas originally intended for the Utility's noncore customers. Such diversions shall be of the following type:

(1) Voluntary Diversion Agreements

(2) Voluntary Core Protection Purchase Agreements

(3) Involuntary Diversions

1. Voluntary Diversion Agreements

In order to avoid or mitigate curtailment, the Utility may mutually agree with firm and/or interruptible intrastate transmission customers to purchase their flowing gas deliveries. The price paid by Utility for such diverted gas shall not exceed the price paid for gas that is involuntarily diverted as set forth in Section D.3 herein.

In the event of such a voluntary diversion, the customer may make arrangements with another customer or customers in order to transfer the responsibility for the diversion. Such arrangements shall be subject to the same requirements as transfers of intrastate curtailment as set forth in Section C.3 herein.

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D. Diversions of Customer-Owned Gas (Continued)

2. Voluntary Core Purchase Protection Agreements

The Utility may also enter into Voluntary Core Protection Purchase Agreements (VCPPAs) with firm and interruptible intrastate transmission customers as a source of supply for the Utility's core requirements.

The price paid by the Utility for such VCPPA deliveries shall be determined through negotiation with such customers and shall be subject to a ceiling price of 150% of the Adjusted Core Procurement Rate, G-CPA, set forth in Schedule No. G-CP, in effect during the period of diversion. T T

The Utility shall divert customer-owned gas through VCPPAs on a least-cost basis, with least expensive supplies being purchased first, to the extent operationally feasible.

As part of a VCPPA, the Utility and the customer may agree to allow the customer to arrange a transfer of the responsibility for the diversion. In such event, the VCPPA shall specify the conditions under which such a transfer would be allowed by the Utility.

3. Involuntary Diversions

To the extent that VCPPA, discussed above, are inadequate for the protection of core service, the Utility shall be authorized to involuntarily divert gas supplies from firm noncore transmission customers.

The Utility shall notify the CPUC within one business day in the event of any involuntary diversion of customer gas.

An involuntary diversion of customer-owned gas shall occur as a result of the Utility's curtailment of the customer's service as described in Section C.

In the event customer-owned gas is involuntarily diverted as a consequence of curtailment, the Utility will reimburse the customer at the higher of:

(1) the customer's cost of alternative fuel or replacement energy used during the diversion plus associated transportation costs actually incurred by the customer;

(2) the customer's actual cost of gas (price as delivered to SoCalGas' intrastate system) diverted by Utility; or

(3) 150% of the Utility's Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP during the month in which the gas was diverted. T T



(TO BE INSERTED BY UTILITY) ISSUED BY (TO BE INSERTED BY CAL. PUC)
ADVICE LETTER NO. 3268 **Lee Schavrien** DATE FILED Jun 12, 2003
DECISION NO. D.01-12-018 Vice President EFFECTIVE Dec 1, 2003
7C0 Regulatory Affairs RESOLUTION NO. G-3357

(Continued)

D. Diversions of Customer-Owned Gas (Continued) L

3. Involuntary Diversions (Continued)

The Utility shall have the right to audit the customer's alternate fuel or replacement energy cost, or the customer's actual cost of gas. In the event of disagreement, these costs shall be determined by binding third party arbitration. L

E. Curtailment Due to Emergency Conditions

At a time when there is a threatened or actual shortage creating an emergency condition for a short duration in the Utility's ability to meet the demands of Priority 1 and 2A customers, the Utility may, during such emergency period, curtail and/or divert service of all customers, or a portion of such customers, in the most reasonable and practicable manner possible. Further, in such event, the Utility shall have the right to shut off, discontinue, re-establish, or continue service for all customers or a portion of such customers, irrespective of the priority or preference provisions set forth herein or in the tariff schedules, contracts, or rules and regulations applicable to such service. In such emergency situations, curtailments shall generally be made based on the customer's level of demand and transfers of curtailment responsibility, as provided for in Section C.3 herein, shall not be allowed.

The Utility may also, during any national crisis, give preference, as between all customers, to facilities directly engaged in the production of food supplies and the production of national government requirements, when the discontinuance of service to such customers would stop, or materially diminish, the output of said plants.

F. Localized Curtailment

Curtailments may be effected in certain localized areas due to intrastate system capacity restrictions or emergencies. In such cases, curtailments will generally be made based on the order established herein to the extent it is operationally feasible to do so. In the event of a localized curtailment, customers in unconstrained areas may receive service while other customers of equal or higher priority are curtailed.

G. System Maintenance and Repair

The Utility, whenever it finds necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of gas, but, in all such cases, as reasonable notice thereof as circumstances will permit will be given to customers, and the making of such repairs or improvements will be prosecuted as rapidly as may be practicable, and, if practicable, at such times as will cause the least inconvenience to the customers.

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G. System Maintenance and Repair (Continued)

In the event such interruption of service affects more than one customer, interruption of service shall be made in the order established herein only to the extent it is operationally feasible to do so. Special conditions which apply to scheduled maintenance for firm intrastate service are set forth in Section K herein. T

H. Utility Electric Generation Service

The Utility shall accommodate, subject to the capability of its existing physical facilities and the requirements of higher priority customers, requests by its retail and wholesale customers for reallocation of deliveries for use in electric generating plants deviating from the normal pattern of deliveries by the Utility (a) of an emergency nature to avoid actual electric load curtailment, and/or (b) based on requirements to minimize particularly adverse air pollution impacts expected to be of short duration. Such deviations in deliveries must be approved by the Utility and shall be in accordance with the agreements between the Utility's retail and wholesale customers relating to such reallocations and providing for compensation between such customers. In no event, however, will the Utility's total deliveries for electric generation requirements imposed on the Utility exceed in the aggregate the deliveries which would have been scheduled absent the reallocation agreements between Utility's customers. Customers requesting the Utility to redirect deliveries hereunder shall notify the CPUC promptly after each occurrence of the problem occasioning such request.

I. Wholesale Service

Wholesale customers will receive Priority 1 and 2A service from the Utility in proportion to such customers' Priority 1 and 2A loads. Service to wholesale customers' loads shall be curtailed in the same manner as that for the Utility's retail customers. Wholesale customers may, however, negotiate with the Utility regarding the timing and extent of curtailments for their noncore loads with the condition that such loads shall be subject to curtailments which are proportionate to the curtailment of the Utility's noncore customers.

(Continued)

J. Curtailment Violations T

The Utility shall read the meter of the curtailed customer at the beginning and end of each curtailment period for the applicable service curtailed. For other than a customer operating emergency as set forth in Section C.6, customers failing to curtail on request will be assessed a penalty of $1.00 per therm for the initial 5 hours of the Customer's operating day, $3.00 per therm for hours 6 through 8, and $10.00 per therm for hours 9 through the end of the curtailment episode. The penalty applies to all gas quantities determined by the Utility to be in violation of curtailment. All other charges associated with such usage will apply. Curtailment violations will be determined as follows:

1. System Curtailment

For curtailment of interruptible or firm intrastate service, customers whose consumption under their applicable service schedule exceeds their authorized curtailment quantity during the curtailment of such service will be in violation of curtailment.

~~For curtailment of standby procurement service under Schedule No. G-IMB, customers whose consumption under such schedule exceeds their actual transportation deliveries plus the ten percent (10%) tolerance band will be in violation of curtailment. The Utility shall assess negative imbalances incurred during the standby curtailment period separately from monthly imbalances incurred outside such period. Negative imbalances determined to be in violation of curtailment shall not be eligible for imbalance trading. Such negative imbalances will be charged at the applicable standby procurement rate in addition to the curtailment violation penalty.~~

2. Localized Curtailment

For curtailment of interruptible or firm intrastate service, customers whose consumption under their applicable service schedule exceeds their authorized curtailment quantity during the curtailment period for such service will be in violation of curtailment. Standby procurement service shall not be curtailed during a localized curtailment.

3. Authorized Curtailment Quantity

The authorized curtailment quantity used to determine a customer's compliance with curtailment shall be established on the basis of the monthly contract billing quantities set forth in the customer's Master Services Contract, Schedule A, Intrastate Transmission Service (Form Nos. 6597 and 6597-1).

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(Continued)

J. Curtailment Violations (Continued)

3. Authorized Curtailment Quantity (Continued)

The customer's total authorized curtailment quantity for the applicable period of curtailment shall be equal to the sum of the authorized curtailment quantities for each of the customer's services which are not subject to curtailment during such period. For each such service, the authorized curtailment quantity shall be equal to the monthly contract quantity divided by the customer's actual number of operating days for such service during the month in which the curtailment occurs, multiplied by the customer's actual number of operating days during the curtailment period.

The customer's actual operating days for the month shall be determined based on the operating-day information set forth in the customer's contract. For service designated as operating seven days per week, the operating days shall be all calendar days in the month. For service designated as less than seven operating days per week, the operating days shall be all designated days in the month excluding national holidays. Customers with non-uniform operating schedules for any particular month shall be required to designate in the contract the actual operating-day schedule for such months. The customer may request a change to the operating schedule on a month-to-month basis. All operating schedules shall be subject to the Utility's acceptance and the Utility may adjust such schedules as it deems necessary based on the customer's operations.

K. Service Interruption Credit

A qualifying service interruption of firm intrastate transmission service is defined as any curtailment which is not (1) the result of either force majeure or scheduled maintenance, as described below, (2) a curtailment of Standby Procurement service, or (3) a curtailment of firm off-system delivery service. If a firm intrastate transmission customer experiences more than one qualifying interruption during the ten-year period beginning on the implementation date of the CPUC's Capacity Brokering Rules, the Utility shall provide such customer with a Service Interruption Credit (SIC) of $0.25 per therm of gas curtailed or diverted.
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For the customer's first qualifying interruption during the ten-year period, the SIC shall only apply to the volume of curtailed or diverted gas over and above 72 consecutive hours of full curtailment or the volumetric equivalent thereof during a five day period. For subsequent qualifying interruptions during this period, the SIC shall apply to all of the customer's curtailed or diverted volumes resulting from the subsequent interruptions regardless of the duration or extent of the customer's initial interruption.

(Continued)

K. Service Interruption Credit (Continued)

The maximum aggregate SIC obligation of the Utility in any calendar year shall be $5 million. To the extent such maximum aggregate obligation would be exceeded, the Utility shall provide the SIC on a pro rata basis to all applicable customers for the calendar year. Utility shall make payment of the SIC at the end of the applicable calendar year.

1. Force Majeure

For the purpose of SIC applicability, force majeure shall be defined as the occurrence of unforeseen events or conditions, not resulting from a negligent act or omission on the part of the Utility, that are beyond its reasonable control and that could not have been prevented by the exercise of due diligence on its part. The Utility shall use all reasonable efforts to remedy such events or conditions and to remove the cause of same in an adequate manner and with reasonable dispatch. The occurrence of high demand for gas service due to weather conditions shall not constitute a force majeure event.

2. Scheduled Maintenance

For the purpose of SIC applicability, scheduled maintenance shall be considered the interruption of transmission service to the customer resulting from maintenance of the Utility's facilities which are directly relevant to providing such service to the customer's facilities when the customer has been given at least thirty (30) calendar days prior written notice of the scheduled date of the maintenance and service interruption.

The Utility shall take all reasonable steps to minimize the duration of such scheduled maintenance interruptions and to reroute the flow of natural gas to eliminate any service interruptions that would otherwise occur due to such maintenance.

The Utility shall consult with the customer in scheduling any such maintenance interruptions and shall use reasonable efforts to schedule such maintenance to accommodate the customer's operating needs and to continue same only for such time as is necessary, including any agreed upon adjustments to the scheduled date for maintenance as reasonably necessary in light of unforeseen occurrences affecting the customer and/or the Utility.

L. Curtailment Notification N

The Utility shall submit an Advice Letter to the Commission’s Energy Division within 24 hours of an announcement of a curtailment. The filing shall state the facts underlying and the reasons for the curtailment, shall demonstrate that the type of curtailment being declared complies with the Utility’s tariffs, and shall set forth efforts the Utility has taken to minimize or alleviate the curtailment. The filing shall be served by electronic mail or overnight mail on affected noncore customers and posted by the Utility on its Electronic Bulletin Board. N

# SDG&E Rule 14

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

A. Service Conditions

The utility will use reasonable diligence and care to avoid any shortage or interruption of gas supply. The utility shall not be liable in damages or otherwise for any failure to deliver gas to the customer, which failure in any way or manner results from breakage of its facilities, however caused, war, riots, acts of God, strikes, failure of, or interruption in, gas supply, mandatory or voluntary curtailments ordered by the Public Utilities Commission, or other conditions beyond its reasonable control.

B. Temporary Suspension of Service

Whenever necessary for making repairs or improvements to its system, the utility may temporarily suspend the delivery of gas. In all such cases, the utility will provide as much notice as circumstances reasonably permit. Repairs or improvements will be carried out as rapidly as may be practicable, and, if practicable, at such times as will cause the least inconvenience to the customers.

C. Service Level and Priority of Service

Noncore customers must choose an appropriate Gas Transportation Service Level. Customers that do not choose an appropriate service level will be assigned to the lowest noncore service level and end-use priority classification for curtailment purposes. Customer denial of the utility's right of ingress and egress for the purpose of priority assignment will result in the customer being assigned to the lowest applicable priority. Where customers have more than one priority of service, those uses in a lower priority not exceeding 25 Mcf per day on a peak-day, may be placed in the customer's next higher priority.

D. Curtailment Assignments

Curtailment shall be first made in the lowest priority group. Priority groups may be subdivided for curtailment purposes and, to the extent practical, curtailment shall be equalized among customers in each group by rotating curtailment among the subdivisions of the group. Curtailments which exceed the total volume of gas used by all customers in the lowest priority group shall, in the same manner, be affected successively in the higher priority groups. Restoration of curtailed service shall be made in the same manner, but inversely as to priority groups.

E. Changes in Curtailment Assignments

System curtailments shall be based first on transportation service levels. In the event a significant change is determined in a customer's requirements or equipment, resulting in a need for reclassification to another priority, such change shall be made in the billing month following such identification of the change.

F. Restoration of Service

Restoration of service will be made starting with the highest priority block, and proceeding through each succeeding priority level.

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

F. Restoration of Service (Continued)

Where curtailment takes place on a partial basis for a given priority block, the utility will attempt, at the earliest time practical, to balance the amount of curtailment for customers in any given curtailment block.

G. Operating Emergency

In the event a customer declares an operating emergency, service may be made available out of the normal curtailment pattern, if in the judgment of the utility it is possible to do so. Out of pattern deliveries will be provided to Critical Customers whenever they declare an operating emergency. Subsequent out of pattern curtailment will be imposed on such customers in order to balance the amount of curtailment with other customers served at the same priority.

H. Electric Generation Service

Subject to the capability of the utility's physical facilities, and the requirements of higher priority customers, dispatching arrangements will be made based on requirements to minimize particularly adverse air pollution impacts.

I. Gas Transportation Service Levels

The utility shall offer the following levels of gas transportation service, and the service levels listed below shall serve as a basis for gas curtailment:

1. Core Service
Firm Inter- & Intrastate Transportation Service.
Gas Purchased from the utility.
Optional Intrastate Transportation-Only Service.
Curtailment based on end-use priorities.
Includes all P-1 and P-2A end-use priorities. D

2. Firm Noncore Service 1/ T
Firm Intrastate Transportation Service.
Two-Year Contract Term. D
Use-or-Pay Obligations & Charges.

1/ Customers electing noncore service must have Automatic Meter Reading (AMR) equipment installed at customer's expense as a condition of noncore service.

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

I. Gas Transportation Service Levels (Continued)

3. Interruptible Noncore Service 1/
Interruptible Intrastate Transportation Service.
Minimum One-Month Contract Term.
No Use-or-Pay Obligations or Charges.

Gas curtailment among the service levels shall be made in reverse order with interruptible noncore transportation volumes curtailed first followed by firm noncore transportation volumes, including core subscription, with core service volumes curtailed last. Gas curtailment within each service level is described in Section N. hereunder.

In order to notify noncore customers of gas curtailments, the customer must provide and maintain accurate primary and alternate day/night contact phone numbers and contact names who will be responsible for responding to the utility's notice to curtail gas services. The inability of the utility to notify a noncore gas customer of curtailment due to having out-dated and/or incorrect phone numbers and contact names, will result in the customer being changed to core status for the next 12-month period.

J. End-Use Priority Classification

In the event of a curtailment within the core service, the utility will curtail gas supplies in the reverse order of the assigned end-use priorities described below:

| Priority | Description |
|---|---|
| P-1 | All residential use regardless of size.<br>All non-residential use through a single meter that is equal to or less than 20,800 therms. |
| P-2A | Non-residential use through a single meter that is greater than an annual monthly average of 20,800 therms, where the customer has made a minimum two-year election to receive core reliability service.<br><br>Electric generation start-up and igniter fuel. |

D

1/ See footnote sheet 2

(Continued)

K. Delivery Point Curtailment

Delivery of natural gas may be interrupted in the event of projected or actual capacity constraints or projected or actual supply shortages at system delivery points.

1. Local System Constraint
In the event of a localized curtailment, customers in the unconstrained areas may continue to receive service while customers that are equal or higher in the curtailment order are curtailed in the constrained area.

2. SDG&E System Constraint
In the event projected or actual system wide operating constraints exist, SDG&E will schedule deliveries, to the extent feasible in accordance with the curtailment order listed under Section N.

L. Backbone Transportation Constraint T

The provisions in this section apply to all end use customers in SDG&E's service territory and their designated agents.

1. Curtailment Because of Incompatibility of Gas
SDG&E has the right to maintain the gas in its system at the necessary level of quality. SDG&E has the right to refuse in part or in total the delivery of gas into its system that is not of the quality required for service to SDG&E's customers. SDG&E shall be the sole judge of the ability of its system to accept any gas and of the need for allocation of service because of incompatibility. (See Rule 30).

2. Option to Purchase SDG&E Gas
To the extent practicable, the Utility System Operator may offer standby service at the appropriate charges. If standby service is not available during a curtailment period and the customer continues to use gas that usage will be subject to the corresponding curtailment charge. (See Rule 30).

M. Gas Curtailment and Constraints

Gas Curtailment or constraints occur whenever the utility declares a gas shortage. A gas shortage exists when, in the utility's judgment:

(a) There is a deficiency of gas supplies available to meet customer requirements; or

(b) There is a restriction or limitation on transmission or distribution pipelines necessary for the acceptance, transmission or subsequent redelivery of gas.

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

M. Gas Curtailment and Constraints (Continued) T

1. Delivery Point Curtailments

When in the judgment of the utility, based upon expected gas requirements compared with available system supply and capacity, operating conditions require the curtailment of service, curtailment shall be made as necessary:

a. Local System Constraint

(1) ~~All standby procurement service, or portions thereof, serving:~~
~~i. Interruptible noncore transportation customers;~~
~~ii. Followed by firm noncore transportation customers.~~

(2) Interruptible Noncore Transportation Service

i. Curtail gas according to the percent of the default transportation rate paid for interruptible intrastate services, with customers paying the lowest percentage to be curtailed first and customers paying the highest percentage to be curtailed last.

ii. For customers who are paying the same percentage of default transportation rate, curtail gas on a pro rata basis (equal percentage), with actual curtailments to EG to be curtailed before cogeneration volumes in each curtailment episode. L

(3) Firm Intrastate Noncore Transportation Service

Curtail gas on a pro rata basis (equal percentage) with EG volumes curtailed before cogeneration volumes in each curtailment episode.

(4) Upon declaration of a supply emergency by the CPUC, curtail all gas volumes serving core customers in the following manner:

i. ~~All core standby procurement service~~;
ii. P-2A gas volumes, or portions thereof;
iii. P-1 gas volumes, or portions thereof. L

(Continued)

M. Gas Curtailment and Constraints (Continued) T

1. Delivery Point Curtailments (Continued)

b. SDG&E System Constraints

(1) ~~All standby procurement service, or portions thereof, serving:~~
~~I. Interruptible noncore transportation customers;~~
~~ii. Followed by firm noncore transportation customers.~~

(2) Interruptible Noncore Transportation Service

i. Curtail gas according to the percent of the default transportation rate paid for interruptible intrastate services, with customers paying the lowest percentage to be curtailed first and customers paying the highest percentage to be curtailed last.

ii. For customers who are paying the same percentage of default transportation rate, curtail gas on a pro rata basis (equal percentage), with EG curtailed before cogeneration volumes in each curtailment episode.

(3) Firm Noncore Transportation Service L

i. Service shall first be interrupted to EG customers other than cogeneration customers. SDG&E shall administer the interruption of service to EG customers other than cogeneration customers on a two-step pro rata basis.

ii. In Step 1, SDG&E shall allocate the interruption based upon either: (a) the awarded Firm Noncore Monthly Contract Quantity (MCQ) divided by operating days, divided by 24 hours; or (b) the awarded Hourly Contract Quantity (HCQ) for the specific hour, whichever is applicable. L

(Continued)

M. Gas Curtailment and Constraints (Continued) T

1. Delivery Point Curtailments (Continued)

b. SDG&E System Constraints (Continued)

(3) Firm Noncore Transportation Service (Continued)

iii. In Step 2, if any EG customer has been called upon by the California Independent System Operator (ISO) to generate pursuant to its reliability must run (RMR) contract with the ISO, and the EG is unable to satisfy its RMR contract using the natural gas made available to it in Step 1, and the EG notifies the utility of both these facts, the utility shall make an additional quantity of natural gas available to that customer such that the total of the Step 1 allocation and the Step 2 allocation are sufficient to allow the customer to satisfy its RMR commitments using only natural gas. A Step 2 allocation shall result in an additional pro rata interruption, in accordance with the Step 1 allocation percentages, of all other EG customers that either (a) are not generating to satisfy RMR contracts at that time, or (b) whose Step 1 allocation provides them with more natural gas than they require to satisfy their RMR contracts. The Step 2 allocation of additional interruption to an EG customer who has been called upon by the ISO to generate pursuant to its RMR contract and has notified the utility of this fact will be limited to the amount of natural gas not needed by such customer to satisfy its RMR contract. Any additional interruption which would have been allocated to such a customer pursuant to Step 2 will be reallocated on a pro rata basis to the other EG customers who are subject to the initial Step 2 allocation.

Should an EG customer have a source of gas other than the utility, it must notify the utility of the quantity of gas it is receiving from the alternate source. For all such customers, the utility will assume that their RMR contracts are served by all sources of natural gas in the same percentage as the source bears to the total supply of natural gas available to the customer on the day of the system interruption. Gas from a source other than the utility will not otherwise be considered in either a Step 1 or Step 2 allocation. L

(Continued)

M. Gas Curtailment and Constraints (Continued) T

1. Delivery Point Curtailments (Continued)

b. SDG&E System Constraints (Continued)

(3) Firm Noncore Transportation Service (Continued)

iv. The utility shall be entitled to rely upon information from its EG customers regarding their individual RMR contract requirements, the calls made on them by ISO to generate pursuant to their RMR contracts, natural gas supplies from sources other than the utility, and plant outages (Customer Information). The Commission shall have the right to audit EG customers for the limited purpose of determining the accuracy of any Customer Information provided by EG customers to SDG&E. In the event that the Commission determines that any Customer Information provided by an EG customer to the utility is inaccurate, and the customer experienced less of an interruption than it would if it had provided accurate information to the utility, the decrease in interruption experienced by the customer as a result of the inaccurate information shall be subject to the charges prescribed in Section N.4 of this Rule.

v. Interruption of service to all cogeneration customers and non-EG customers shall be done on a rotating block basis. For determining the order of customer rotations, customers shall be divided into two curtailment lists:

- The first list shall consist of cogeneration customers.

- The second list shall consist of all firm service non-EG noncore customers.

vi. Each curtailment list shall be ordered by individual customer with the order of customers for each list established by lottery or other non-discriminatory means. New customers to firm service shall be randomly assigned a position on the appropriate list.

vii. Once the order of customers is established for each list, the utility may aggregate the listed customers into blocks where operationally feasible. In the event firm service customers are added or deleted from the curtailment lists, the utility shall adjust the aggregation of the customer blocks as necessary.

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

M. Gas Curtailment and Constraints (Continued) T

1. Delivery Point Curtailments (Continued)

b. SDG&E System Constraints (Continued)

(3) Firm Noncore Transportation Service (Continued)

viii. In the event of a firm service curtailment, the utility shall curtail, in unison, that number of customer blocks, or a portion thereof, necessary to maintain service to higher priority customers. The customer blocks curtailed shall be established by:

- Selecting the first customer block from one curtailment list; then
- Selecting the first customer block from the other curtailment list.
- Continuing such alternating selections down the two curtailment lists until the required level of curtailment is reached.

For subsequent curtailment episodes, once customers on both lists have been selected for curtailment, the alternating rotations process shall continue at the beginning of the curtailment lists.

ix. In the event the curtailment of the last customer block selected would result in exceeding the necessary level of curtailment, then the customers within that block shall be selected for curtailment based on the customer order within the block.

x. Those customers not selected for curtailment shall be treated as a separate block in succeeding curtailment rotations. If the curtailment of an individual customer would result in exceeding the level of curtailment necessary, then such customer shall be curtailed only to the level of curtailment which is necessary.

The utility will make every endeavor to curtail firm service to noncore customers in the manner specified above.

(4) Upon declaration of a supply emergency by the CPUC, curtail all gas volumes serving core customers in the following manner:

i. ~~All core standby procurement service~~;
ii. P-2A gas volumes, or portions thereof;
iii. P-1 gas volumes, or portions thereof.

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY, AND PRIORITY OF SERVICE

M. Gas Curtailment and Constraints (Continued) T L

2. Curtailment Charges T

Noncore customers who fail to curtail when ordered by the utility, shall be subject to a curtailment charge for each therm consumed including pilot light gas, during the curtailment period, in addition to the charges under the customer's applicable rate schedule. The curtailment charge shall apply hourly for any hourly volumes that exceed those authorized during a curtailment and shall consist of the following charges:

1. $1 per therm for the first five hours,
2. $3 per therm for the next three hours,
3. $10 per therm for the remaining curtailment period.

3. Curtailment of Customer-Owned Gas T

If self-procuring ("customer-owned") customer's service has been curtailed and the customer continues to deliver gas into the utility's system, the utility may, at its option:

1. Refuse to confirm the customer's gas nomination; or
2. Accept the customer's gas nomination and credit the gas to the customers imbalance account.
3. Confiscate the customer's gas.

4. Diversion of Customer-Owned Gas T

In the event that there is insufficient supply or capacity to serve P-1 and P-2A customers, the utility may divert customer-owned gas from noncore customers.

The diversion of customer-owned gas to serve core customers may be either voluntary or involuntary. Voluntary diversions of gas shall be performed before any involuntary diversions to protect core customers. The utility shall notify the Commission within one business day following the initiation of any involuntary diversion.

a. Under a voluntary diversion of gas, the utility may offer to purchase the flowing supplies of noncore shippers to maintain service to higher priority core and noncore customers. The price paid by the utility for voluntarily diverted interruptible supplies shall not exceed the price paid for involuntarily diverted gas supplies.

Gas that is made available to the utility through voluntary core protection arrangements shall be purchased on a least-cost basis, with least expensive supplies being purchased first, to the extent operationally feasible. The price paid by the utility for voluntary core protection gas shall be determined through negotiation with the customer, subject to a price ceiling of 150% of the utility's monthly weighted average cost of gas (WACOG). L

(Continued)

M. Gas Curtailment and Constraints (Continued) T L

4. Diversion of Customer-Owned Gas (Continued) T

b. Under an involuntary diversion of gas, the utility may divert either interruptible or firm customer-owned gas to serve core customers. The utility will pay the customer for volumes involuntarily diverted the higher of:

(1) The cost of alternate fuel or replacement energy used by the customer during the diversion, plus associated transportation costs actually incurred by the customer; or

(2) 150% of the utility's WACOG for the month in which the curtailment occurred; or

(3) The customer's actual cost of gas.

The compensation paid for involuntary diverted gas as described above shall be presumed reasonable in CPUC proceedings, provided that the diversion is deemed a prudent utility action. The utility has the right to audit the customer's alternate fuel or replacement energy costs, the customer's actually incurred transportation costs, or the customer's actually incurred cost of gas. In the event of a disagreement, these costs shall be determined by binding third party arbitration.

5. Negotiation of Curtailment and Diversion Order T

a. Customers may negotiate among themselves the order of gas supply curtailments or diversions. Firm service customers may negotiate curtailments or diversion order with interruptible service customers, and vice versa. Through such arrangements, responsibility for the supply curtailments or diversions imposed by the utility shall be transferred from the original customer to another customer or group of customers.

b. All customers involved in changing the order of gas curtailments or diversions, as originally established by the utility, must execute and provide to the utility a signed written notice. Notification to the utility must be made consistent with the posted gas nomination schedule, but not less than 48 hours, prior to the effective date of the agreement, whichever is greater.

c. If the transferee does not comply with the supply curtailments or diversion agreement, the original assignee shall be held entirely responsible, including any resulting charges that would be incurred as a result of such responsibility.

d. In the event the assignee pays a transportation rate which is less than the applicable tariff rate, such customer shall be required to pay the higher transportation rate of either the curtailment assignee or assignor.

L

(Continued)

M. Gas Curtailment and Constraints (Continued) T L

5. Negotiation of Curtailment and Diversion Order (Continued)

e. Customers who enter into voluntary gas diversion arrangements with the utility may negotiate the order of gas supply diversions pursuant to the diversion agreement only if all parties to the agreement agree to allow such negotiations.

However, at a time when there is a threatened or actual shortage, creating an emergency for a short duration in the supply of gas to meet the demands of Priority 1 customers, the utility may, during such emergency period, apportion its available supply of gas among demands of all or a portion of such Priority 1 customers. Such apportionment shall be made in the most reasonable and practicable manner possible. During such an emergency the utility will have the right to shut off, discontinue, re-establish, or continue service for all such customers or some of such customers, irrespective of priority.

The utility may, during any national or local crisis, give preference, as between all customers, to customers directly engaged in the production of food supplies, maintaining public health and the production of national government requirements, when the discontinuance of service to such customers would stop, or materially diminish their operation.

N. Emergency Curtailment T

Curtailments may result with little notice due to capacity restrictions or emergencies. The foregoing gas curtailment procedures do not apply to curtailment under local or emergency conditions, which will be handled in a manner that immediate operating conditions appear to require at the time.

O. Service Interruption Credit T

A qualifying service interruption of firm intrastate transportation service is defined as any curtailment which is not the result of either force majeure or scheduled maintenance, as described below. If a firm intrastate transportation customer (including core subscription service) experiences more than one qualifying interruption during the ten-year period beginning on May 1, 2003, the Utility shall provide such customer with a Service Interruption Credit (SIC) of $0.25 per therm of gas curtailed as set forth on each applicable rate schedule. L

(Continued)

O. Service Interruption Credit (Continued) T L

For the customer's first qualifying interruption during the ten-year period, the SIC shall only apply to the volume of curtailed gas over and above 72 consecutive hours of full curtailment or the volumetric equivalent thereof during a five day period. For subsequent qualifying interruptions during this period, the SIC shall apply to all of the customer's curtailed volumes resulting from the subsequent interruptions regardless of the duration or extent of the customer's initial interruption.

The maximum aggregate SIC obligation of the utility in any calendar year shall be $5 million. To the extent such maximum aggregate obligation would be exceeded, the utility shall provide the SIC on a pro rata basis to all applicable customers for the calendar year. Utility shall make payment of the SIC at the end of the applicable calendar year.

1. Force Majeure

For the purpose of SIC applicability, force majeure shall be defined as the occurrence of unforeseen events or conditions, not resulting from a negligent act or omission on the part of the utility, that are beyond its reasonable control and that could not have been prevented by the exercise of due diligence on its part. The utility shall use all reasonable efforts to remedy such events or conditions and to remove the cause of same in an adequate manner and with reasonable dispatch. The occurrence of high demand for gas service due to weather conditions shall not constitute a force majeure event.

2. Scheduled Maintenance

For the purpose of SIC applicability, scheduled maintenance shall be considered the interruption of transportation service to the customer resulting from maintenance of the utility's facilities which are directly relevant to providing such service to the customer's facilities when the customer has been given at least thirty (30) calendar days prior written notice of the scheduled date of the maintenance and service interruption.

The utility shall take all reasonable steps to minimize the duration of such scheduled maintenance interruptions and to reroute the flow of natural gas to eliminate any service interruptions that would otherwise occur due to such maintenance.

The utility shall consult with the customer in scheduling any such maintenance interruptions and shall use reasonable efforts to schedule such maintenance to accommodate the customer's operating needs and to continue same only for such time as is necessary, including any agreed upon adjustments to the scheduled date for maintenance as reasonably necessary in light of unforeseen occurrences affecting the customer and/or the utility. L

(Continued)

P. End-Use Curtailment Definitions T L

**Abnormal Peak Day (APD)**: An APD is the coldest day which could reasonably be expected to occur within SDG&E's service territory.

**Alternate Fuel**: Gaseous or nongaseous fuel, including fuel oil, synthetic natural gas (SNG), liquefied natural gas (LNG), and liquid petroleum gas (LPG). Electricity shall not be considered an alternate energy source.

**As-Available Service**: That service provided to customers at times when additional service beyond firm service may be made available by the utility.

**Boiler Fuel**: Gas used specifically to fire boilers, regardless of the end-use of the steam produced.

**Cogeneration**: The sequential use of energy for the production of electrical and useful thermal energy. The sequence can be thermal use followed by power production or the reverse, subject to the following standards:

1. At least 5 percent of the facility's total annual energy output shall be in the form of useful thermal energy.
2. Where useful thermal energy follows power production, the useful annual power output plus one-half the useful annual thermal energy output equals not less than 42.5 percent of any natural gas and oil energy input.

**Curtailment**: Utility initiated suspension of gas service resulting from a supply or capacity shortage of gas. A Capacity Curtailment occurs when the utility declares a capacity shortage. A capacity shortage exists when, in the utility's judgment, there exists a restriction or limitation on utility transmission or distribution pipelines necessary for the acceptance, transmission, or subsequent redelivery of gas resulting in the utility being unable to meet its operational, contractual, or gas customers' requirements. A Supply Curtailment occurs when the utility declares a supply shortage. A supply shortage exists when, in the utility's judgment, the utility has a deficiency of gas supply available to meet its operational, contractual, or sales customers' requirements.

**Customer**: The person or entity in whose name service is rendered as evidenced by the signature on the application, contract, or agreement for that service, or in the absence of a signed instrument, by the receipt and payment of bills regularly issued in the person or entities name.

**Critical Customer**: One where danger to human life, health or safety is involved, and includes customers such as hospitals, other state licensed health care facilities, medical research facilities, medical facilities at military installations and detention facilities, municipal water pumping plants and sanitation facilities.

**Electric Utilities' Start-up and Igniter Fuel**: Electric utility natural gas use where no alternate fuel capability exists for: (1) heating the boiler system adequately during start-up to enable efficient oil burning to meet pollution standards; and (2) insuring continuous ignition and flame stabilization within the boiler. L

(Continued)

# RULE 14



## SHORTAGE OF GAS SUPPLY, INTERRUPTION OF DELIVERY AND PRIORITY OF SERVICE

P. End-Use Curtailment Definitions (Continued) T L

**Emergency Conditions**: Operating conditions that may result in a curtailment of service to customers due to failure of utility facilities, however caused, war, riots, acts of God, strikes, failure of, or interruption in, gas supply, mandatory or voluntary curtailments ordered by the Public Utilities Commission, or other conditions beyond its reasonable control.

**Hourly Contract Quantity (HCQ)**: The quantities awarded each hour as set forth in the customer's Request for Retail Noncore Gas Services (Form 142-1259).

**Local Operating Constraint**: An operating condition limiting the ability of the utility to provide gas service in a confined geographical area.

**Monthly Contract Quantity (MCQ)**: The quantities awarded each month as set forth in the customer's Request for Retail Noncore Gas Services (Form 142-1259).

**Peak-Day Demand**: A customer's highest billing month's requirement divided by the number of days of operation in that month.

**Pilot Light**: A small gas burner which is kept lighted to rekindle a principal burner when needed.

**Point of Delivery**: The place(s) where the utility delivers gas to a customer at the customer's facility or customer managed storage.

**Point(s) of Receipt**: The place(s) where the customer delivers, or has delivered on his behalf, gas for delivery under a utility gas transportation agreement(s).

**Replacement Energy**: Replacement Energy includes alternative energy purchases or generation utilizing alternative fuel following involuntary diversion or curtailment of the Customer's gas by the utility. The cost of Replacement Energy does not include any charges incurred by the Customer for unforecasted or unscheduled power received by the Customer from the utility as a result of the Customer's failure to purchase or generate enough Replacement Energy during such diversion or curtailment.

**Residential Use**: Service to customers which consists of natural gas use in serving a residential dwelling or multi-unit dwelling for space heating, air conditioning, cooking, water heating, and other residential uses, except for central heating plants, serving a combination of residential and commercial uses where the commercial portion of the use is in excess of 100 Mcf per day, or is more than 15% of the total natural gas requirements.

**System Operating Constraint**: An operating condition that limits the ability of the utility to provide gas service throughout its entire operating system. L

# SoCalGas G-IMB

Schedule No. G-IMB Sheet 1
TRANSPORTATION IMBALANCE SERVICE

DESCRIPTION OF SERVICE

The Utility System Operator will provide a Monthly Imbalance Service for individual customers including the Utility Gas Procurement Department, end-use customers, wholesale customers, marketers and aggregators (referred to herein as "customers") when their usage differs from their transportation deliveries to the Utility's system or their targeted sales gas quantities purchased and delivered by the Utility. In case of the Utility Gas Procurement Department, the Daily Forecast Quantity will be used as a proxy for daily usage and the calculation of imbalances.

The Monthly Imbalance Service provided hereunder has four components: Imbalance Trading, a no-charge Balancing Service, Standby Procurement, and Buy-Back. Under the Imbalance Trading Service, customers may locate other customers with offsetting imbalances and trade these quantities to avoid imbalance charges (Standby Procurement or Buy-Back). Imbalance Trading Service shall be facilitated either through Electronic Bulletin Board (EBB), as defined in Rule No. 1, or through the Imbalance Trading Form as described in Special Conditions 2 and 4 of this Schedule and in Rule No. 33. Balancing Service will be provided without charge if the cumulative imbalance at the end of the monthly imbalance trading period is within 10 percent of the customer's usage, in case of core aggregators their applicable Daily Contract Quantity, or in the case of the Utility Gas Procurement Department the applicable Daily Forecast Quantity, (Tolerance Band) for the billing period. Any remaining cumulative imbalance within the tolerance band will be carried forward. Remaining imbalance quantities outside the tolerance band at the end of the imbalance trading period will be subject to a Standby Procurement Charge or Buy-Back as described under Rates.

~~The Utility System Operator will require daily balancing during the winter operating period. From November through March, customers will be required to deliver (using a combination of flowing supply and storage withdrawal) at least 50% of their usage over a five-day period. As the Utility's total~~ D
~~inventory in storage declines to the peak day minimum + 20 Bcf, customers will be required to deliver 70% of their usage daily. As the Utility's total inventory in storage declines to the peak day minimum + 5 Bcf, customers will be required to deliver 90% of their usage daily. Volumes not in compliance with the minimum delivery requirements will be purchased at the daily balancing standby rates described below. Imbalance trading may not be used to offset the minimum delivery requirements. A complete~~ D
~~description of the winter minimum delivery requirements is specified in Rule No. 30.~~

APPLICABILITY

Applicable to core and noncore transportation service to customers. T

TERRITORY

Applicable throughout the service territory.

(Continued)

Schedule No. G-IMB Sheet 2

TRANSPORTATION IMBALANCE SERVICE

(Continued)

RATES

Imbalance quantities remaining at the end of the designated imbalance trading period and which are outside of the 10% tolerance band will be billed at the Standby Procurement Charge or purchased by the Utility at the Buy-Back Rate. Any Standby Procurement Charge or purchases at the Buy-Back Rate of core imbalances created by the Utility Gas Procurement Department will be managed within the Utility System Operator's Operational Hub Services. Such core imbalances will be disposed of, with the net revenues from the core imbalance charges flowing back through the Noncore Fixed Cost Account (NFCA).

Standby Procurement Charge

This charge is applied to customer's cumulative negative transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Standby Procurement Charge is posted at least one day in advance of each corresponding imbalance trading period for noncore/wholesale and core transport agents (CTAs). It is calculated at 150% of the highest daily border price index at the Southern California border beginning on the first day of the month that the imbalance is created to five days prior to the start of each corresponding imbalance trading period plus a Brokerage Fee of 0.266¢ per therm for noncore retail service and all wholesale service, and 0.151¢ per therm for core retail service. The highest daily border price index is an average of the highest prices from "NGI's Daily Gas Price Index – Southern California Border Average" and "ICE Daily Indices – SoCal Border."

| | | |
|---|---|---|
| Core Retail Service: | | |
| SP-CR Standby Rate, per therm | | |
| February 2014 | 299.070¢ | D |
| March 2014 | 131.028¢ | |
| April 2014 | TBD* | T |
| Noncore Retail Service: | | |
| SP-NR Standby Rate, per therm | | |
| February 2014 | 299.185¢ | D |
| March 2014 | 131.143¢ | |
| April 2014 | TBD* | T |
| Wholesale Service: | | |
| SP-W Standby Rate per therm | | |
| February 2014 | 299.185¢ | D |
| March 2014 | 131.143¢ | |
| April 2014 | TBD* | T |

*To be determined (TBD). Pursuant to Resolution G-3316, the Standby Procurement Charges will be filed by a separate advice letter at least one day prior to May 25. T T

(Continued)

Schedule No. G-IMB Sheet 3

TRANSPORTATION IMBALANCE SERVICE

(Continued)

RATES (Continued)

Buy-Back Rate

This rate is applied to customer's cumulative positive transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Buy-Back Rate is established effective the last day of each month and will be the lower of 1) the lowest incremental cost of gas purchased by the Utility during the month the excess imbalance was incurred; or 2) 50% of the applicable Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP, during the month such excess imbalance was incurred.

Retail Service:

BR-R Buy-Back Rate, per therm

| | | |
|---|---|---|
| February 2014 | 26.592¢ | D |
| March 2014 | 30.072¢ | |
| April 2014 | 24.556¢ | R |

Wholesale Service:

BR-W Buy-Back Rate, per therm

| | | |
|---|---|---|
| February 2014 | 26.518¢ | D |
| March 2014 | 29.989¢ | |
| April 2014 | 24.488¢ | R |

If the incremental cost of gas is the basis for the Standby or Buy-Back Rates, the Utility will provide CPUC the necessary work papers for such cost. Such documentation will be provided under confidentiality pursuant to General Order 66-C and Section 583 of the Public Utilities Code.

Daily Balancing Standby Rates

When a Stage 5 Low Operational Flow Order (Low OFO) or Emergency Flow Order (EFO) is declared, quantities not in compliance with the daily imbalance tolerance are purchased at the daily balancing standby rate. The daily balancing standby rate shall be equal to the higher of the InterContinental Exchange (ICE) Day-Ahead Index (including F&U and brokerage fee) for 1) SoCal-Citygate; 2) PG&E Citygate; 3) EP-Permian; 4) EP-SJ Blanco; or 5) Opal Plant Tailgate for each day a Stage 5 Low OFO or EFO is issued. Authorized F&U will not be added to any daily balancing standby charge for the Utility Gas Procurement Department to the extent that it is collected elsewhere.

~~During November through March customers are required to deliver (flowing supply and storage withdrawal) at a minimum of 50% of burn during a five-day period. Volumes not in compliance with the 50% five-day minimum delivery requirement are purchased at the daily standby rate. The daily balancing standby rate is calculated as 150% of the highest Southern California Border price during the five-day period as published in "NGI's *Daily* Gas Price Index" including authorized franchise fees~~

(Continued)

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE



(Continued)

~~and, for retail customers, uncollectible expenses (F&U), and an authorized brokerage fee. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

(Continued)

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE



(Continued)

RATES (Continued)

Daily Balancing Standby Rates (Continued)

~~When the Utility's total inventory in storage declines to the "peak day minimum + 20 Bcf trigger", the minimum daily delivery requirement increases to 70%. The five-day period no longer applies. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including F&U and brokerage fee) and is applied to each day's deliveries which are less than the 70% delivery requirement. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

~~When the Utility's total inventory in storage declines to the "peak day minimum + 5 Bcf trigger", the minimum delivery requirement increases to 90% daily. Similar to the 70% regime, the five-day period no longer applies. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including F&U and brokerage fee) and is applied to each day's deliveries which are less than the 90% delivery requirement. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

~~Daily Balancing Standby Rate, per therm~~

| ~~March 2014 Day~~ | ~~Core Retail DB-CR~~ | ~~Noncore Retail DB-NR~~ | ~~Wholesale DB-W~~ | T |
|---|---|---|---|---|
| ~~1~~ | ~~$1.03187~~ | ~~$1.03302~~ | ~~$1.03015~~ | C |
| ~~2~~ | ~~$1.03187~~ | ~~$1.03302~~ | ~~$1.03015~~ | \| |
| ~~3~~ | ~~$1.03187~~ | ~~$1.03302~~ | ~~$1.03015~~ | \| |
| ~~4~~ | ~~$1.41348~~ | ~~$1.41463~~ | ~~$1.41071~~ | \| |
| ~~5~~ | ~~$1.10972~~ | ~~$1.11087~~ | ~~$1.10779~~ | C |
| ~~Period 1 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | T |
| ~~6~~ | ~~$0.84106~~ | ~~$0.84221~~ | ~~$0.83988~~ | C |
| ~~7~~ | ~~$0.78000~~ | ~~$0.78115~~ | ~~$0.77899~~ | \| |
| ~~8~~ | ~~$0.72810~~ | ~~$0.72925~~ | ~~$0.72723~~ | \| |
| ~~9~~ | ~~$0.72810~~ | ~~$0.72925~~ | ~~$0.72723~~ | \| |
| ~~10~~ | ~~$0.72810~~ | ~~$0.72925~~ | ~~$0.72723~~ | C |
| ~~Period 2 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | T |

(Continued)

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE

Sheet 5

(Continued)

~~RATES (Continued)~~

~~Daily Balancing Standby Rates (Continued)~~

~~Daily Balancing Standby Rate, per therm (Continued)~~

| ~~March 2014 Day~~ | ~~Core Retail DB-CR~~ | ~~Noncore Retail DB-NR~~ | ~~Wholesale DB-W~~ | |
|---|---|---|---|---|
| ~~11~~ | ~~$0.73421~~ | ~~$0.73536~~ | ~~$0.73332~~ | |
| ~~12~~ | ~~$0.73879~~ | ~~$0.73994~~ | ~~$0.73789~~ | |
| ~~13~~ | ~~$0.71894~~ | ~~$0.72009~~ | ~~$0.71810~~ | |
| ~~14~~ | ~~$0.68842~~ | ~~$0.68957~~ | ~~$0.68766~~ | |
| ~~15~~ | ~~$0.67468~~ | ~~$0.67583~~ | ~~$0.67396~~ | |
| ~~Period 3 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | |
| ~~16~~ | ~~$0.67468~~ | ~~$0.67583~~ | ~~$0.67396~~ | |
| ~~17~~ | ~~$0.67468~~ | ~~$0.67583~~ | ~~$0.67396~~ | |
| ~~18~~ | ~~$0.71437~~ | ~~$0.71552~~ | ~~$0.71353~~ | |
| ~~19~~ | ~~$0.70673~~ | ~~$0.70788~~ | ~~$0.70592~~ | |
| ~~20~~ | ~~$0.71894~~ | ~~$0.72009~~ | ~~$0.71810~~ | |
| ~~Period 4 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | |
| ~~21~~ | ~~$0.71284~~ | ~~$0.71399~~ | ~~$0.71201~~ | |
| ~~22~~ | ~~$0.72658~~ | ~~$0.72773~~ | ~~$0.72571~~ | |
| ~~23~~ | ~~$0.72658~~ | ~~$0.72773~~ | ~~$0.72571~~ | |
| ~~24~~ | ~~$0.72658~~ | ~~$0.72773~~ | ~~$0.72571~~ | |
| ~~25~~ | ~~$0.72810~~ | ~~$0.72925~~ | ~~$0.72723~~ | C |
| ~~Period 5 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | |
| ~~26~~ | ~~$0.76474~~ | ~~$0.76589~~ | ~~$0.76377~~ | C |
| ~~27~~ | ~~$0.72810~~ | ~~$0.72925~~ | ~~$0.72723~~ | \| |
| ~~28~~ | ~~$0.70979~~ | ~~$0.71094~~ | ~~$0.70897~~ | \| |
| ~~29~~ | ~~$0.71131~~ | ~~$0.71246~~ | ~~$0.71049~~ | \| |
| ~~30~~ | ~~$0.71131~~ | ~~$0.71246~~ | ~~$0.71049~~ | \| |
| ~~31~~ | ~~$0.71131~~ | ~~$0.71246~~ | ~~$0.71049~~ | C |
| ~~Period 6 High~~ | ~~N/A~~ | ~~N/A~~ | ~~N/A~~ | |

(Continued)

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE

Sheet 6

(Continued)

RATES (Continued)

~~Daily Balancing Standby Rates (Continued)~~

~~Daily Balancing Standby Rate, per therm (Continued)~~

~~Note: For the days of March 1-31, 2014, the Utility's total inventory in storage was below the "peak day minimum + 20 Bcf trigger," so the five-day period does not apply.~~ T

Revision of Rates

The Standby Procurement Charge and the Buy-Back Rate shall be established effective the last day of each month. The Daily Balancing Standby Rate shall be established on ~~NGI's *Daily* Gas Price~~ICE's Day Ahead Index. The Utility may file the Daily Balancing Standby Rate weekly to become effective immediately. In any event, the Daily Balancing Standby Rate shall be filed on or before the fifth business day of each month.

SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule are contained in Rule No. 1.

2. Imbalances of customers other than the Utility Gas Procurement Department or ESPs will be calculated by combining all of a customer's meters served under the same order control code, not by account or individual delivery point. The order control code is used by the Utility to group those facilities identified by the customer for determining the customer's imbalances. In the case of the Utility Gas Procurement Department the applicable Daily Forecast Quantity will be used. In the case of ESPs their applicable Daily Contract Quantity (DCQ) will be used.

(Continued)

Schedule No. G-IMB Sheet 7
TRANSPORTATION IMBALANCE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

3. Immediately each month when actual meter usage information becomes available, an adjustment to the Utility Gas Procurement Department's imbalance account will be made to account for any differences between actual consumption of the core customers and the Daily Forecast Quantity, company use and LUAF.

4. Immediately each month when actual meter usage information becomes available, an adjustment to the ESP's imbalance account will be made to account for any differences between actual consumption of the core customers and the DCQ.

5. Customers may not use imbalance trading ~~during the period November 1- March 31~~ to offset ~~minimum daily~~ imbalances in excess of the daily imbalance tolerances applicable during an OFO or EFO event~~delivery requirements~~. D

6. Customers may trade their monthly imbalances with other customers. Customer's cumulative imbalances will be stated on the customer's monthly bill. The customer's bill will serve as notice of current imbalances. Beginning at 7:00 a.m., Pacific Clock Time (PCT), on the 25th calendar day in the month of notification, customers may enter EBB to trade imbalances with other customers. Customers within the tolerance band may trade any quantities so long as the 10% tolerance band is not exceeded. Customers outside the tolerance band may trade quantities up to a maximum of their excess imbalance (quantities outside of tolerance) plus the 10% tolerance band. The Utility will notify participants through EBB or other notice once the trade is validated. The trading period will end at 11:59 p.m. PCT on the last calendar day of the same month. During the month of February, the trading period begins at 7:00 a.m. PCT on the 23rd of the month and ends at 11:59 p.m. PCT on the last calendar day of the month. The trading periods are as follows:

| | | |
|---|---|---|
| January 25-31 | May 25-31 | September 25-30 |
| February 23-28 (or 29) | June 25-30 | October 25-31 |
| March 25-31 | July 25-31 | November 25-31 |
| April 25-30 | August 25-31 | December 25-31 |

(Continued)

(Continued)

SPECIAL CONDITIONS (Continued)

7. Imbalance trades may be submitted through EBB or by facsimile using the Imbalance Trading Agreement Form (Form No. 6544) and must be received by the Utility by the close of the trading period. T,L

   To submit an imbalance trade by facsimile, both parties must complete and send by facsimile a copy of the Imbalance Trading Agreement Form to the Utility. The Utility will then confirm the trade and adjust the participants' imbalance accounts. A processing charge of $13.73 will be charged by the Utility for each imbalance trade submitted by facsimile using the Imbalance Trading Agreement Form. No processing charge will apply to an EBB subscriber for imbalance trades submitted by facsimile at a time the EBB system is unavailable for use by the subscriber. L

8. Customers may opt to participate in the EBB's interactive trading platform in which imbalance trading parties may buy and/or sell imbalance gas. Instructions are provided on the EBB website. N

9. Customers may use their storage account(s) to offset their imbalances or to trade with other customers under the conditions set forth in their applicable storage service rate schedule for unbundled storage service, or in Rule No. 32 for Aggregators. T

   A storage customer may trade positive imbalances, i.e., overdeliveries, into its storage account only if its storage inventory capacity is available during the month that the imbalance occurred and at the time the imbalance trade takes place. Similarly, a storage customer may trade negative imbalances, i.e., underdeliveries, using its storage account only if there is sufficient gas in storage in the account during the month that the imbalance occurred and at the time the imbalance trade takes place. L

(Continued)

Schedule No. G-IMB Sheet 9
TRANSPORTATION IMBALANCE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

10. After the imbalance trading period, the Standby Procurement Charge or Buy-Back Rate will be applied to all imbalance quantities in excess of the tolerance band.

11. ~~Standby Procurement service provided hereunder will be curtailed in accordance with the provisions of Rule 23. Penalties for violations of curtailment shall apply as set forth in Rule No. 23. Customers will not be allowed to trade negative imbalances incurred during periods of curtailment.~~

11~~2~~. When in the judgment of the Utility Gas Control Department the latest scheduled quantities are in excess of system capacity, Buy-Back service hereunder shall be applied to daily periods as D
designated by the Utility in accordance with the provisions of Rule No. 30, Section F. Customers shall not be allowed to trade positive imbalances incurred during such daily periods. The Buy-Back Rate shall apply to all positive imbalances in excess of the 10% tolerance band for each such period. Standby service shall be provided for the regular monthly balancing period and shall not be restricted to the excess nominations periods.

12~~3~~. Under this schedule, the responsible customer will reimburse the Utility for any penalties or charges incurred by the Utility under an interstate or intrastate supplier arrangement when such penalties or charges occur as a direct result of the Utility's providing this imbalance service to customer.

13~~4~~. If as the result of billing error, metering error, or transportation adjustments, customer trades an incorrect amount of imbalance quantities based on notification by the Utility, the Utility will not be liable for any financial losses or damages incurred by customer nor will the Utility be financially liable to any of the customer's imbalance trading partners. If as a result of such error, the Utility overbills customer, the Utility shall refund the difference. If the Utility underbills customer, the customer shall be liable for the undercharge including any associated penalty. The customer shall not be relieved of imbalance penalties when a subsequent billing adjustment is made by the Utility. For the purpose of determining imbalances and any applicable charges hereunder, the Utility will include subsequent billing adjustments for prior periods as part of the usage deemed to occur during the subsequent period unless the customer reimburses the Utility for the actual cost of gas incurred. Trades occurring in prior periods will not be affected by such billing adjustments. The Utility may issue a bill for Daily Balancing Standby Rate charges on a weekly or fortnightly basis upon customer or marketer request or if a customer or marketer delivers into the system less than 50 percent of its usage. Otherwise, Daily Balancing Standby Rate charges shall be included in the regular monthly bill.

14~~5~~. The Utility Gas Procurement Department will be not be assessed any charges under this schedule that are a result of its obligation to maintain system reliability when called upon by the Utility System Operator to increase flowing supply when supply is insufficient to meet expected end-use demand or decrease scheduled deliveries when deliveries are expected to exceed end-use demand plus storage injection capacity.

# SDG&E G-IMB

# SCHEDULE G-IMB

Sheet 1

## TRANSPORTATION IMBALANCE SERVICE

### DESCRIPTION OF SERVICE

Utility System Operator will provide a Monthly Imbalance Service for individual customers including Utility Gas Procurement Department, end-use customers, wholesale customers, marketers and aggregators (referred to herein as "customers") when their usage differs from their transportation deliveries to the Utility System Operator's system or their targeted sales gas quantities purchased and delivered by Utility. In case of Utility Gas Procurement Department, the Daily Forecast Quantity will be used as a proxy for daily usage and the calculation of imbalances.

The Monthly Imbalance Service provided hereunder has four components: Imbalance Trading, a no-charge Balancing Service, Standby Procurement, and Buy-Back. Under the Imbalance Trading Service, customers may locate other customers with offsetting imbalances and trade these quantities to avoid imbalance charges (Standby Procurement or Buy-Back). Imbalance Trading Service shall be facilitated either through Electronic Bulletin Board (EBB), as defined in Rule No. 1, or through the Imbalance Trading Form as described in Special Conditions 2 and 4 of this Schedule and in SoCalGas' Rule No. 33. Balancing Service will be provided without charge if the cumulative imbalance at the end of the monthly imbalance trading period is within 10 percent of the customer's usage, in case of core aggregators their applicable Daily Contract Quantity, or in the case of Utility Gas Procurement Department the applicable Daily Forecast Quantity, (Tolerance Band) for the billing period. Any remaining cumulative imbalance within the tolerance band will be carried forward. Remaining imbalance quantities outside the tolerance band at the end of the imbalance trading period will be subject to a Standby Procurement Charge or Buy-Back as described under Rates.

~~Utility System Operator will require daily balancing during the winter operating period. From November through March, customers will be required to deliver (using a combination of flowing supply and storage withdrawal) at least 50% of their usage over a five day period. As the Utility System Operator's total inventory in storage declines to the peak day minimum + 20 Bcf, customers will be required to deliver 70% of their usage daily. As the Utility System Operator's total inventory in storage declines to the peak day minimum + 5 Bcf, customers will be required to deliver 90% of their usage daily. Volumes not in compliance with the minimum delivery requirements will be purchased at the daily balancing standby rates described below. Imbalance trading may not be used to offset the minimum delivery requirements. A complete description of the winter minimum delivery requirements is specified in Rule No. 30.~~ T T

### APPLICABILITY

Applicable to core and noncore transportation service to customers.

### TERRITORY

Applicable throughout the service territory.

(Continued)

# SCHEDULE G-IMB



TRANSPORTATION IMBALANCE SERVICE

## RATES

Imbalance quantities remaining at the end of the designated imbalance trading period and which are outside of the 10% tolerance band will be billed at the Standby Procurement Charge or purchased by Utility at the Buy-Back Rate. Any Standby Procurement Charge or purchases at the Buy-Back Rate of core imbalances created by the Utility Gas Procurement Department will be managed within the Utility System Operator's Operational Hub Services. Such core imbalances will be disposed of with the net revenues from the core imbalance charges flowing back through the SoCalGas Noncore Fixed Cost Account (NFCA).

### Standby Procurement Charge

This charge is applied to customer's cumulative negative transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Standby Procurement Charge is posted at least one day in advance of each corresponding imbalance trading period for noncore/wholesale and core transport agents (CTAs). It is calculated at 150% of the highest daily border price index at the Southern California Border beginning on the first day of the month that the imbalance is created to five days prior to the start of each corresponding imbalance trading period, plus the authorized Brokerage Fee of 0.151¢ per therm for noncore retail service and all wholesale service, and 0.151¢ per therm for core retail service. The highest daily border price index is an average of the highest prices from "NGI's Daily Gas Price Index Southern California Border Average" and "ICE Daily Indices – SoCal Border".

### Core Retail Service:

SP-CR Standby Rate, per therm

| | | | |
|---|---|---|---|
| March 2014 | $/therm | 1.31029 | D |
| April 2014 | $/therm | 0.73504 | R |

### Noncore Retail Service:

SP-NR Standby Rate, per therm

| | | | |
|---|---|---|---|
| March 2014 | $/therm | 1.31029 | D |
| April 2014 | $/therm | 0.73504 | R |

(Continued)

# SCHEDULE G-IMB



## TRANSPORTATION IMBALANCE SERVICE

RATES (Continued)

Buy-Back Rate

This rate is applied to customer's cumulative positive transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Buy-Back Rate is established effective the last day of each month and will be the lower of 1) the lowest incremental cost of gas purchased by Utility during the month the excess imbalance was incurred; or 2) 50% of the applicable Adjusted Core Procurement Charge, G-CPA, set forth in SoCalGas Schedule No. G-CP, during the month such excess imbalance was incurred.

Retail Service:

BR-R Buy-Back Rate, per therm

| | | | |
|---|---|---|---|
| March 2014 | $/therm | 0.30086 | D |
| April 2014 | $/therm | 0.24567 | |
| May 2014 | $/therm | 0.26336 | I |

If the incremental cost of gas is the basis for the Standby or Buy-Back Rates, Utility will provide CPUC the necessary work papers for such cost. Such documentation will be provided under confidentiality pursuant to General Order 66-C and Section 583 of the Public Utilities Code.

Daily Balancing Standby Rates

When a Stage 5 Low Operational Flow Order (Low OFO) or Emergency Flow Order (EFO), pursuant to the conditions set forth in SoCalGas Rule 41, is declared, quantities not in compliance with the daily imbalance tolerance are purchased at the daily balancing standby rate. The daily balancing standby rate shall be equal to the higher of the InterContinental Exchange (ICE) Day-Ahead Index (including F&U and brokerage fee) for 1) SoCal-Citygate; 2) PG&E Citygate; 3) EP-Permian; 4) EP-SJ Blanco; or 5) Opal Plant Tailgate for each day a Stage 5 Low OFO or EFO is issued. Authorized F&U will not be added to any daily balancing standby charge for the Utility Gas Procurement Department to the extent that it is collected elsewhere.

~~During the winter operating period from November through March, customers are required to deliver (flowing supply and storage withdrawal) at a minimum of 50% of burn during a five-day period. Volumes not in compliance with the 50% five-day minimum delivery requirement are purchased at the daily balancing standby rate. The daily balancing standby rate is calculated as 150% of the highest Southern California Border price during the five-day period as published in "NGI's *Daily* Gas Price Index" including authorized franchise fees and, for retail customers, uncollectible expenses (F&U) and an authorized brokerage fee. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

~~When the Utility System Operator's total inventory in storage declines to the "peak day minimum + 20 Bcf trigger", the minimum daily delivery requirement increases to 70%. The five-day period no longer applies. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including F&U and brokerage fee) and is applied to each day's deliveries which are less than the 70% delivery requirement. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

(Continued)

# SCHEDULE G-IMB

Sheet 3

## TRANSPORTATION IMBALANCE SERVICE

~~When the Utility System Operator's total inventory in storage declines to the "peak day minimum + 5 Bcf trigger", the minimum delivery requirement increases to 90% daily. Similar to the 70% regime, the five-day period no longer applies. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including F&U and brokerage fee) and is applied to each day's deliveries which are less than the 90% delivery requirement. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere.~~

(Continued)

# SCHEDULE G-IMB

Sheet 4

## TRANSPORTATION IMBALANCE SERVICE

RATES (Continued)

Daily Balancing Standby Rate (Continued)

~~Daily Balancing Standby Rate, per therm~~

| ~~March 2014~~ | ~~Core Retail DB-CR~~ | ~~Noncore Retail DB-NR~~ | |
|---|---|---|---|
| | | | T |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~1~~ | ~~1.037~~ | ~~1.037~~ | I |
| ~~2~~ | ~~1.037~~ | ~~1.037~~ | I |
| ~~3~~ | ~~1.037~~ | ~~1.037~~ | I |
| ~~4~~ | ~~1.421~~ | ~~1.421~~ | I |
| ~~5~~ | ~~1.116~~ | ~~1.116~~ | R |
| ~~Period 1 High~~ | ~~1.421~~ | ~~1.421~~ | I |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~6~~ | ~~0.846~~ | ~~0.846~~ | R |
| ~~7~~ | ~~0.784~~ | ~~0.784~~ | R |
| ~~8~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~9~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~10~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~Period 2 High~~ | ~~0.846~~ | ~~0.846~~ | R |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~11~~ | ~~0.738~~ | ~~0.738~~ | R |
| ~~12~~ | ~~0.743~~ | ~~0.743~~ | R |
| ~~13~~ | ~~0.723~~ | ~~0.723~~ | R |
| ~~14~~ | ~~0.692~~ | ~~0.692~~ | R |
| ~~15~~ | ~~0.678~~ | ~~0.678~~ | R |
| ~~Period 3 High~~ | ~~0.743~~ | ~~0.743~~ | R |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~16~~ | ~~0.678~~ | ~~0.678~~ | R |
| ~~17~~ | ~~0.678~~ | ~~0.678~~ | R |
| ~~18~~ | ~~0.718~~ | ~~0.718~~ | R |
| ~~19~~ | ~~0.711~~ | ~~0.711~~ | R |
| ~~20~~ | ~~0.723~~ | ~~0.723~~ | R |
| ~~Period 4 High~~ | ~~0.723~~ | ~~0.723~~ | R |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~21~~ | ~~0.717~~ | ~~0.717~~ | R |
| ~~22~~ | ~~0.730~~ | ~~0.730~~ | R |
| ~~23~~ | ~~0.730~~ | ~~0.730~~ | R |
| ~~24~~ | ~~0.730~~ | ~~0.730~~ | R |
| ~~25~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~Period 5 High~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~Day~~ | ~~($/therm)~~ | ~~($/therm)~~ | |
| ~~26~~ | ~~0.769~~ | ~~0.769~~ | R |
| ~~27~~ | ~~0.732~~ | ~~0.732~~ | R |
| ~~28~~ | ~~0.714~~ | ~~0.714~~ | R |
| ~~29~~ | ~~0.715~~ | ~~0.715~~ | |
| ~~30~~ | ~~0.715~~ | ~~0.715~~ | |
| ~~31~~ | ~~0.715~~ | ~~0.715~~ | |
| ~~Period 6 High~~ | ~~0.769~~ | ~~0.769~~ | R |

(Continued)

# SCHEDULE G-IMB



## TRANSPORTATION IMBALANCE SERVICE

RATES (Continued)

Revision of Rates

The Standby Procurement Charge and the Buy-Back Rate shall be established effective the last day of each month. The Daily Balancing Standby Rate shall be established on ~~NGI's *Daily* Gas Price~~ICE's Day--Ahead Index. Utility may file the Daily Balancing Standby Rate weekly to become effective immediately. In any event, the Daily Balancing Standby Rate shall be filed on or before the fifth business day of each month.

SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule are contained in Rule No. 1.

2. Imbalances of customers other than Utility Gas Procurement Department or ESPs will be calculated by combining all of a customer's meters served under the same order control code, not by account or individual delivery point. The order control code is used by Utility to group those facilities identified by the customer for determining the customer's imbalances. In the case of Utility Gas Procurement Department the applicable Daily Forecast Quantity will be used. In the case of ESPs their applicable Daily Contract Quantity (DCQ) will be used

3. Immediately each month when actual meter usage information becomes available, an adjustment to the Utility Gas Procurement Department's imbalance account will be made to account for any differences between actual consumption of the core customers and the Daily Forecast Quantity, company use and LUAF.

4. Immediately each month when actual meter usage information becomes available, an adjustment to the ESP's imbalance account will be made to account for any differences between actual consumption of the core customers and the DCQ.

5. Customers may not use imbalance trading ~~during the period November 1- March 31~~ to offset ~~minimum daily~~ imbalances in excess of the daily imbalance tolerances applicable during an OFO or EFO event~~delivery requirements~~. T

6. Customers may trade their monthly imbalances with other customers. Customer's cumulative imbalances will be stated on the customer's monthly bill. The customer's bill will serve as notice of current imbalances. Beginning at 7:00 a.m., Pacific Clock Time (PCT), on the 25th calendar day in the month of notification, customers may enter EBB to trade imbalances with other customers. Customers within the tolerance band may trade any quantities so long as the 10% tolerance band is not exceeded. Customers outside the tolerance band may trade quantities up to a maximum of their excess imbalance (quantities outside of tolerance) plus the 10% tolerance band. Utility will notify participants through EBB or other notice once the trade is validated. The trading period will end at 11:59 p.m. PCT on the last calendar day of the same month. During the month of February, the trading period begins at 7:00 a.m. PCT on the 23rd of the month and ends at 11:59 p.m. PCT on the last calendar day of the month. The trading periods are as follows:

| | | |
|---|---|---|
| January 25-31 | May 25-31 | September 25-30 |
| February 23-28 (or 29) | June 25-30 | October 25-31 |
| March 25-31 | July 25-31 | November 25-31 |
| April 25-30 | August 25-31 | December 25-31 |

(Continued)

# SCHEDULE G-IMB



## TRANSPORTATION IMBALANCE SERVICE

SPECIAL CONDITIONS (Continued)

7. Imbalance trades may be submitted through EBB or by facsimile using the Imbalance Trading Agreement Form (Form No. 6544) and must be received by the Utility System Operator by the close of the trading period.

   To submit an imbalance trade by facsimile, both parties must complete and send by facsimile a copy of the Imbalance Trading Agreement Form to the Utility System Operator. The Utility System Operator will then confirm the trade and adjust the participants' imbalance accounts. A processing charge of $13.73 will be charged by the Utility for each imbalance trade submitted by facsimile using the Imbalance Trading Agreement Form. No processing charge will apply to an EBB subscriber for imbalance trades submitted by facsimile at a time the EBB system is unavailable for use by the subscriber.

8. Customers may opt to participate in the EBB's interactive trading platform in which imbalance trading parties may buy and/or sell imbalance gas. Instructions are provided on the EBB website.

9. Customers may use their storage account(s) to offset their imbalances or to trade with other customers under the conditions set forth in their applicable storage service rate schedule for unbundled storage service, or in Rule No. 32 for Aggregators.

   A storage customer may trade positive imbalances, i.e., overdeliveries, into its storage account only if its storage inventory capacity is available during the month that the imbalance occurred and at the time the imbalance trade takes place. Similarly, a storage customer may trade negative imbalances, i.e., underdeliveries, using its storage account only if there is sufficient gas in storage in the account during the month that the imbalance occurred and at the time the imbalance trade takes place.

10. After the imbalance trading period, the Standby Procurement Charge or Buy-Back Rate will be applied to all imbalance quantities in excess of the tolerance band.

~~11. Standby Procurement service provided hereunder will be curtailed in accordance with the provisions of Rule 14. Penalties for violations of curtailment shall apply as set forth in Rule No. 14. Customers will not be allowed to trade negative imbalances incurred during periods of curtailment.~~

1~~2~~1. When in the judgment of the Utility Gas Control Department, the latest scheduled quantities (confirmed nominations from the Timely Cycle for the Evening Cycle) are in excess of system capacity, Buy-Back service hereunder shall be applied to daily periods as designated by the Utility in accordance with the provisions of Rule No. 30, Section F. Customers shall not be allowed to trade positive imbalances incurred during such daily periods. The Buy-Back Rate shall apply to all positive imbalances in excess of the 10% tolerance band for each such period. Standby service shall be provided for the regular monthly balancing period and shall not be restricted to the excess nominations periods. T T T

1~~3~~2. Under this schedule, the responsible customer will reimburse the Utility for any penalties or charges incurred by the Utility under an interstate or intrastate supplier arrangement when such penalties or charges occur as a direct result of Utility' System Operator providing this imbalance service to customer.

(Continued)

## SCHEDULE G-IMB

Sheet 7 N

TRANSPORTATION IMBALANCE SERVICE N

SPECIAL CONDITIONS (Continued) N

1~~4~~3. If as the result of billing error, metering error, or transportation adjustments, customer trades an incorrect amount of imbalance quantities based on notification by Utility, Utility will not be liable for any financial losses or damages incurred by customer nor will Utility be financially liable to any of the customer's imbalance trading partners. If as a result of such error, Utility overbills customer, Utility shall refund the difference. If Utility underbills customer, the customer shall be liable for the undercharge including any associated penalty. The customer shall not be relieved of imbalance penalties when a subsequent billing adjustment is made by Utility. For the purpose of determining imbalances and any applicable charges hereunder, Utility will include subsequent billing adjustments for prior periods as part of the usage deemed to occur during the subsequent period unless the customer reimburses the Utility for the actual cost of gas incurred. Trades occurring in prior periods will not be affected by such billing adjustments. Utility may issue a bill for Daily Balancing Standby Rate charges on a weekly or fortnightly basis upon customer or marketer request or if a customer or marketer delivers into the system less than 50 percent of its usage. Otherwise, Daily Balancing Standby Rate charges shall be included in the regular monthly bill.

1~~5~~4. The Utility Gas Procurement Department will be not be assessed any charges under this schedule that are a result of its obligation to maintain system reliability when called upon by Utility System Operator to increase flowing supply when supply is insufficient to meet expected end-use demand or decrease scheduled deliveries when deliveries are expected to exceed end-use demand plus storage injection capacity. N

# SoCalGas Rule 30

Rule No. 30 Sheet 1

TRANSPORTATION OF CUSTOMER-OWNED GAS

The general terms and conditions applicable whenever the Utility System Operator transports customer-owned gas, including wholesale customers, the Utility Gas Procurement Department, other end-use customers, aggregators, marketers and storage customers (referred to herein as “customers") over its system are described herein.

A. General

1. Subject to the terms, limitations and conditions of this rule and any applicable CPUC authorized tariff schedule, directive, or rule, the customer will deliver or cause to be delivered to the Utility and accept on redelivery quantities of gas which shall not exceed the Utility's capability to receive or redeliver such quantities. The Utility will accept such quantities of gas from the customer or its designee and redeliver to the customer on a reasonably concurrent basis an equivalent quantity, on a therm basis, to the quantity accepted.

2. The customer warrants to the Utility that the customer has the right to deliver the gas provided for in the customer's applicable service agreement or contract (hereinafter "service agreement") and that the gas is free from all liens and adverse claims of every kind. The customer will indemnify, defend and hold the Utility harmless against any costs and expenses on account of royalties, payments or other charges applicable before or upon delivery to the Utility of the gas under such service agreement.

3. The point(s) where the Utility will receive the gas into its intrastate system (point(s) of receipt, as defined in Rule No. 1) and the point(s) where the Utility will deliver the gas from its intrastate system to the customer (point(s) of delivery, as defined in Rule No. 1) will be set forth in the customer's applicable service agreement. Other points of receipt and delivery may be added by written amendment thereof by mutual agreement. The appropriate delivery pressure at the point(s) of delivery to the customer shall be that existing at such point(s) within the Utility's system or as specified in the service agreement. T T

B. Quantities

1. The Utility shall as nearly as practicable each day redeliver to customer and customer shall accept, a like quantity of gas as is delivered by the customer to the Utility on such day. It is the intention of both the Utility and the customer that the daily deliveries of gas by the customer for transportation hereunder shall approximately equal the quantity of gas which the customer shall receive at the point(s) of delivery. However, it is recognized that due to operating conditions either (1) in the fields of production, (2) in the delivery facilities of third parties, or (3) in the Utility's system, deliveries into and redeliveries from the Utility's system may not balance on a day-to-day basis. The Utility and the customer will use all due diligence to assure proper load balancing in a timely manner. T

(Continued)

B. Quantities (Continued)

2. The gas to be transported hereunder shall be delivered and redelivered as nearly as practicable at uniform hourly and daily rates of flow. The Utility may refuse to accept fluctuations in excess of ten percent (10%) of the previous day's deliveries, from day to day, if in the Utility's opinion receipt of such gas would jeopardize other operations. Customers may make arrangements acceptable to the Utility to waive this requirement.

3. The Utility does not undertake to redeliver to the customer any of the identical gas accepted by the Utility for transportation, and all redelivery of gas to the customer will be accomplished by substitution on a therm-for-therm basis.

4. Transportation customers, including the Utility Gas Procurement Department, wholesale customers, contracted marketers, and aggregators will be provided monthly balancing services in accordance with the provisions of Schedule No. G-IMB. T

C. Electronic Bulletin Board

1. The Utility prefers and encourages customers, including the Utility Gas Procurement Department, to use Electronic Bulletin Board (EBB) as defined in Rule No. 1 to submit their transportation nominations to the Utility. Imbalance trades are to be submitted through EBB or by means of the Imbalance Trading Agreement Form (Form 6544). Use of EBB is not mandatory for transportation only customers. T

2. Transportation nominations may be submitted manually or through EBB. For each transportation nomination submitted manually, (by means other than EBB such as facsimile transmittal), a processing charge of $11.87 shall be assessed. No processing charge will apply to an EBB subscriber for nominations submitted by fax at a time the EBB system is unavailable for use by the subscriber.

D. Operational Requirements

1. Customer Representation

   The customer must provide to the Utility the name(s) of any agents ("Agent") used by the customer for delivery of gas to the Utility for transportation service hereunder and their authority to represent customer.

   A customer may choose only one of the following gas supply arrangements: 1) one Contractor, 2) one or multiple Agents, or 3) itself for purposes of nominating to its end-use account (OCC).

D. Operational Requirements (Continued)

2. Receipt Points

Utility accepts nominations from transportation customers or their representatives at the following Receipt Points into the SoCalGas system, as referenced in Schedule No. G-BTS*:

- El Paso Pipeline at Blythe (Southern Transmission Zone)
- North Baja Pipeline at Blythe (Southern Transmission Zone)
- Transportadora de Gas Natural de Baja California at Otay Mesa (Southern Transmission Zone)
- Kern River Pipeline and Mojave Pipeline (Wheeler Transmission Zone)
- PG&E at Kern River Station (Wheeler Transmission Zone)
- Occidental of Elk Hills at Gosford (Wheeler Transmission Zone)
- Transwestern Pipeline at North Needles (Northern Transmission Zone)
- Transwestern Pipeline at Topock (Northern Transmission Zone)
- El Paso Pipeline at Topock (Northern Transmission Zone)
- Questar Southern Trails Pipeline at North Needles (Northern Transmission Zone)
- Kern River Pipeline and Mojave Pipeline at Kramer Junction (Northern Transmission Zone)
- Line 85 (California Supply)
- North Coastal (California Supply)
- Other (California Supply) D
- Storage

* Additional Receipt Points will be added as they are established in the future.

3. Backbone Transmission Capacity

Each day, Receipt Point and Backbone Transmission Zone capacities will be set at their physical operating maximums under the operating conditions for that day. The Utility will schedule nominations for each Receipt Point and Backbone Transmission Zone to the maximum operating capacity of that individual Receipt Point or Backbone Transmission Zone. The maximum operating capacity is defined as the facility design or contractual limitation to deliver gas into the Utility's system adjusted for operational constraints (i.e. maintenance, localized restrictions, and upstream delivery pressures) as determined each day.

The NAESB elapsed pro rata rules require that the portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intraday nomination be confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected. As such, the scheduled quantities for each shipper are subject to change in the Intraday 1 Cycle and the Intraday 2 Cycle. However, each shipper's resulting scheduled quantity for the Gas Day will be no less than the elapsed prorated scheduled quantity for that shipper.

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D. Operational Requirements (Continued)

3. Backbone Transmission Capacity (Continued)

Each day, the Utility will use the following rules to confirm nominations to the Receipt Point and Backbone Transmission Zone maximum operating capacities. The Utility will also use the following rules to confirm nominations to the system capacity limitation as defined in Section F for OFO events during the Intraday 1 cycle.

Confirmation Order:

- Nominations using Firm Primary backbone transportation rights will be first; pro-rated if over-nominated*.
- Nominations using Firm Alternate backbone transportation rights within the associated transmission zone will be second ("Firm Alternate Within-the-Zone"); pro-rated if over-nominated.
- Nominations using Firm Alternate backbone transportation rights outside the associated transmission zone will be third ("Firm Alternate Outside-the-Zone"); pro-rated if over-nominated.
- Nominations using Interruptible backbone transportation rights will be fourth, pro-rated if over-nominated.
- Southern Transmission Receipt Points will not be reduced in any cycle below 110% of the Southern System minimum flowing supply requirement established by the Gas Control Department. N | N

Bumping Rules:

- Firm Primary rights can "bump" any Firm Alternate scheduled quantities through the Evening Cycle.
- Firm Alternate Within-the-Zone rights can "bump" Firm Alternate Outside-the-Zone scheduled quantities through the Evening Cycle.
- Firm Primary and any Firm Alternate can "bump" interruptible scheduled quantities through the Intraday 1 Cycle subject to the NAESB elapsed pro-rata rules.
- Bumping will not be allowed in the Intraday 2 Cycle.

* If the available firm capacity at a particular receipt point or within a particular transmission zone is less than the firm capacity figures stated in Schedule No. G-BTS, scheduling of firm backbone transportation capacity nominations will be pro rata within each scheduling cycle. Any nominations of firm backbone transportation rights acquired through the addition of Displacement Backbone Transmission Capacity facilities will be reduced pro rata to zero at the applicable receipt point or within the applicable transmission zone prior to other firm backbone transportation rights nominations being reduced.

(Continued)

(Continued)

D. Operational Requirements (Continued)

3. Backbone Transmission Capacity (Continued) T

Priority Rules: D N
   a. Firm primary scheduled quantities in the Evening Cycle will have priority over a new firm primary nomination made in the Intraday 1 Cycle.
   b. Firm Alternate Inside-the-Zone scheduled quantities in the Evening Cycle will have priority over a new Firm Alternate Inside-the-Zone nomination made in the Intraday 1 Cycle.
   c. Firm Alternate Outside-the-Zone scheduled quantities in the Evening Cycle will have priority over a new Firm Alternate Outside-the-Zone nomination made in the Intraday 1 Cycle.
   d. Interruptible scheduled quantities in the Evening Cycle will have priority over a new Interruptible nomination made in the Intraday 1 Cycle.
   e. This same structure will be applied in going from Intraday 1 Cycle (Cycle 3) to Intraday 2 Cycle (Cycle 4). However, this hierarchy will not affect Intraday 3 (Cycle 5) nominations or the elapsed pro rata rule. N

4. Storage Service Capacity L

Each day, storage injection and withdrawal capacities will be set at their physical operating maximums under the operating conditions for that day and posted on the Utility's EBB. The Utility will use the following rules to limit the nominations to the storage maximums. L

- Nominations using Firm storage rights will have first priority, pro-rated to the available firm storage capacity. L,T
- All other nominations using Interruptible storage rights will have second priority, pro-rated if over-nominated based on the daily volumetric price paid. L,T L
- Firm storage rights can "bump" interruptible scheduled storage quantities through the Intraday 3 cycle. L,T L

Notice to bumped parties will be provided via the Transactions module in EBB. Bumping is subject to the NAESB elapsed prorata rules. L L

(Continued)

D. Operational Requirements (Continued)

5. Off-System Delivery (OSD) Services T

For each flow date, the Utility will determine the quantity of capacity available for off-system deliveries. The quantity will include that available via physical redelivery from the Utility system along with displacement of forward haul flowing supplies. For each nomination cycle, the Utility customers who have contracted with the Utility for off-system delivery service may submit a nomination for such service pursuant to Schedule No. G-OSD and Section D.6. "Nominations" below, for deliveries to the PG&E system and to the Utility Transmission system's interconnection points with all interstate and international pipelines, but excluding California-produced gas supply lines. N

The following rules will be used in scheduling of Off-System Delivery Services:

- Nominations using Firm OSD rights will have first priority; pro-rated if over-nominated.
- Nominations using Interruptible OSD rights will have second priority; pro-rated if over-nominated.
- Firm OSD rights can "bump" Interruptible OSD scheduled quantities through the Intraday 1 Cycle, subject to the NAESB elapsed pro rata rules.
- Bumping of Interruptible OSD rights by Firm OSD rights will not be allowed in the Intraday 2 Cycle. N
- Both Firm and Interruptible OSD rights, at any Delivery Point, can be curtailed/reduced in any cycle (subject to the NAESB elapsed pro rata rules) if, in the sole judgment of the Utility, the provision of OSD service at that Delivery Point would result in the Utility having to bring additional gas into the Utility's system at an additional cost.
- Curtailment/reduction of Interruptible OSD nominations at any Delivery Point will be prorated at that particular Delivery Point.
- Curtailment/reduction of Firm OSD nominations at any Delivery Point will be prorated at that particular Delivery Point. N
L

D. Operational Requirements (Continued) L

6. Nominations

The customer shall be responsible for submitting gas service nominations to the Utility no later than the deadlines specified below.

Each nomination shall include all information required by the Utility's nomination procedures. Nominations received by the Utility will be subject to the conditions specified in the service agreements with the Utility. The Utility may reject any nomination not conforming to the requirements in these rules or in applicable service agreements. The customer shall be responsible for making all corresponding upstream nomination/confirmation arrangements with the interconnecting pipeline(s) and/or operator(s).

Evening and Intraday nominations may be used to request an increase or decrease to scheduled volumes or a change to receipt or delivery points.

Intraday nominations do not roll from day to day. L

Nominations submitted in any cycle will automatically roll to subsequent cycles for the specified flow date and from day-to-day through the end date or until the end date is modified by the nominating entity.

Nominations may be made in the following manner:

| FROM | TO | |
|---|---|---|
| Pipeline/CA Producer | Backbone Transportation Service Contract | T |
| Backbone Transportation Service Contract | End User, Contracted Marketer, ESP | \| |
| Backbone Transportation Service Contract | Citygate Pool Account | \| |
| Backbone Transportation Service Contract | Storage Account | T |
| Citygate Pool Account | End User, Contracted Marketer, ESP | D |
| Citygate Pool Account | Citygate Pool Account | |
| Storage Account | End User, Contracted Marketer, ESP | |

D. Operational Requirements (Continued)

6. Nominations (Continued) L

| FROM | TO (Continued) | |
|---|---|---|
| Citygate Pool Account | Storage Account | |
| Storage Account | Citygate Pool Account | |
| Storage Account | Storage Account | |
| Storage Account | Off-System Delivery Contract | |
| Citygate Pool Account | Off-System Delivery Contract | |
| End User, Contracted Marketer, ESP | Storage Account | |
| Off-System Delivery Contract | PG&E Pipeline (at Kern River Station) | |
| Off-System Delivery Contract | Mojave Pipeline (at Wheeler Ridge) | |
| Off-System Delivery Contract | Mojave Pipeline (at Kramer Junction) | |
| Off-System Delivery Contract | Kern River Pipeline (at Wheeler Ridge) | |
| Off-System Delivery Contract | Kern River Pipeline (at Kramer Junction) | |
| Off-System Delivery Contract | Questar Southern Trails Pipeline (at North Needles) | |
| Off-System Delivery Contract | Transwestern Pipeline (at North Needles) | |
| Off-System Delivery Contract | Transwestern Pipeline (at Topock) | |
| Off-System Delivery Contract | El Paso Pipeline (at Topock) | |
| Off-System Delivery Contract | El Paso Pipeline (at Blythe) | |
| Off-System Delivery Contract | North Baja Pipeline (at Blythe) | |
| Off-System Delivery Contract | Transportadora de Gas Natural de Baja California (at Otay Mesa) | |
| Receipt Point Pool Account | Receipt Point Pool Account | N |
| Receipt Point Pool Account | Backbone Transportation Contract | N |

7. Timing L

All times referred to below are in Pacific Clock Time. Requests for deadline extensions may be granted for 15 minutes only if request is made prior to the deadlines shown below. |

Timely Cycle |

Transportation nominations submitted via EBB for the Timely Nomination cycle must be received by the Utility by 9:30 a.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility by 8:30 a.m. one day prior to the flow date. Timely nominations will be effective at 7:00 a.m. on the flow date. L

(Continued)

D. Operational Requirements (Continued)

7. Timing (Continued)

Evening Cycle L

Nominations submitted via EBB for the Evening Nomination cycle must be received by the Utility by 4:00 p.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility by 3:00 p.m. one day prior to the flow date. Evening nominations will be effective at 7:00 a.m. on the flow date.

Intraday 1 Cycle

Nominations submitted via EBB for the Intraday 1 Nomination cycle must be received by the Utility by 8:00 a.m. on the flow date. Nominations submitted via fax must be received by the Utility by 7:00 a.m. on the flow date. Intraday 1 nominations will be effective at 3:00 p.m. the same day.

Intraday 2 Cycle

Nominations submitted via EBB for the Intraday 2 Nomination cycle must be received by the Utility by 3:00 p.m. on the flow date. Nominations submitted via fax must be received by the Utility by 2:00 p.m. on the flow date. Intraday 2 nominations will be effective at 7:00 p.m. the same day.

Intraday 3 Cycle

Nominations submitted via EBB for the Intraday 3 Nomination cycle must be received by the Utility by 9:00 p.m. Pacific Clock Time on the flow date. Nominations submitted via fax must be received by the Utility by 8:00 p.m. Pacific Clock Time on the flow date. Physical flow is deemed to begin at 11:00 p.m. Pacific Clock Time. L

Intraday 3 nominations are available only for firm nominations relating to the injection of existing flowing supplies into a storage account or for firm nominations relating to the withdrawal of gas in storage to meet an identified customer's usage. A customer may make Intraday 3 nominations from a third-party storage provider that is directly connected to the Utility's system or from the Utility's storage, subject to the storage provider or the Utility being able to deliver or accept the daily quantity nominated for Intraday 3 within the remaining hours of the flow day and the Utility's having the ability to deliver or accept the required hourly equivalent flow rate during the remaining hours of the flow day. Third-party storage providers will be treated on a comparable basis with the Utility's storage facilities to the extent that it can provide the equivalent service and operations.

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(Continued)

D. Operational Requirements (Continued)

8. Confirmation and Ranking Process L

A ranking must be received by the Utility at the time the nomination or the confirmation is submitted. The nominating party will rank its supplies and the confirming party will rank its markets. The Utility will then balance the pipeline system using the “lesser of” rule and the rankings submitted.

The ranking will automatically roll from cycle-to-cycle and day-to-day until the nomination end date, unless modified by the nominating entity.

If no ranking is submitted at the time the nomination is submitted, the Utility will assign the lowest ranking to the nomination.

The Utility will compare the nominations received for each transaction and the corresponding confirmation. If the two quantities do not agree, the “lesser of” the two quantities will be the quantity scheduled by the Utility. Subject to the Utility receiving notification of confirmed transportation from the applicable upstream pipeline(s) and/or operator(s), the Utility will provide scheduled quantities on EBB.

9. As between the customer and the Utility, the customer shall be deemed to be in control and possession of the gas to be delivered hereunder and responsible for any damage or injury caused thereby until the gas has been delivered at the point(s) of receipt. The Utility shall thereafter be deemed to be in control and possession of the gas after delivery to the Utility at the point(s) of receipt and shall be responsible for any damage or injury caused thereby until the same shall have been redelivered at the point(s) of delivery, unless the damage or injury has been caused by the quality of gas originally delivered to the Utility, for which the customer shall remain responsible. L

10. Any penalties or charges incurred by the Utility under an interstate or intrastate supplier contract as a result of accommodating transportation service shall be paid by the responsible customer.

11. Customers receiving service from the Utility for the transportation of customer-owned gas shall pay any costs incurred by the Utility because of any failure by third parties to perform their obligations related to providing such service.

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Rule No. 30 Sheet 11

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

E. Interruption of Service

1. The customer's transportation service priority shall be established in accordance with the definitions of Core and Noncore service, as set forth in Rule No. 1, and the provisions of Rule No. 23, Continuity of Service and Interruption of Delivery. If the customer's gas use is classified in more than one service priority, it is the customer's responsibility to inform the Utility of such priorities applicable to the customer's service. Once established, such priorities cannot be changed during a curtailment period.

2. The Utility shall have the right, without liability (except for the express provisions of the Utility's Service Interruption Credit as set forth in Rule No. 23), to interrupt the acceptance or redelivery of gas whenever it becomes necessary to test, alter, modify, enlarge or repair any facility or property comprising the Utility's system or otherwise related to its operation. When doing so, the Utility will try to cause a minimum of inconvenience to the customer. Except in cases of unforeseen emergency, the Utility shall give a minimum of ten (10) days advance written notice of such activity.

F. Nominations in Excess of System Capacity – High Operational Flow Order

1. The Utility System Operator's protocol for declaring a~~n~~ High Operational Flow Order (High OFO) is described in Rule No. 41. Any High OFO shall apply to all customers, including wholesale customers and the Utility Gas Procurement Department.

2. The High OFO period shall begin on the flow date(s) indicated by the Utility Gas Control Department. Customers shall be allowed to reduce their nominations or adjust their supply ranking in response to the High OFO.

3. In the event customers fail to adequately reduce their transportation nominations, the Utility shall reduce the confirmed receipt point access nominations as defined in Section D.

4. In accordance with the provisions of Schedule No. G-IMB, Buy-Back service shall be applied separately to each High OFO day. Customer meters subject to maximum daily quantity limitations will use the maximum daily quantity as a proxy for daily usage. For the Utility Gas Procurement Department, the Daily Forecast Quantity will be used as a proxy for daily usage. For core aggregators, their Daily Contract Quantity will be used as a proxy for daily usage.

5. A California Producer, with an effective California Producer Operational Balancing Agreement, Form 6452, will be subject to Schedule No. G-IMB Buy-Back service during excess nominations days (i.e., High OFO days). For each OFO day, the Utility shall cash out, at the Retail Buy-Back Rate as described in Schedule No. G-IMB, all of an individual California Producer's actual deliveries that are in excess of 110% of that particular California Producer's scheduled quantities for that High OFO day. The High OFO day imbalance of a California Producer with an existing access agreement will be treated consistent with the terms of that access agreement. N

(Continued)

Rule No. 30
TRANSPORTATION OF CUSTOMER-OWNED GAS
Sheet 12 T

(Continued)

G. ~~Winter Deliveries~~ Low Inventory Flow Orders L

~~The Utility requires that customers deliver (using a combination of flowing supply and storage withdrawal) at least 50% of burn over a five-day period from November through March. As the Utility's total storage inventory declines through the winter, the delivery requirement becomes daily and increases to 70% or 90% depending on the level of inventory relative to peak day minimums.~~

~~1. From November 1 through March 31 customers are required to deliver (flowing supply and storage withdrawal) at a minimum of 50% of burn over a 5-day period. In other words, for each 5-day period, the Utility will calculate the total burn and the total delivery. If the total delivery is less than 50% of the total burn, a daily balancing standby charge is applied. The daily balancing standby rate is 150% of the highest Southern California Border price during the five day period as published by Natural Gas Intelligence in "NGI's *Daily* Gas Price Index," including authorized franchise fees and uncollectible expenses (F&U) and brokerage fees. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere. Imbalance trading may not be used to offset the delivery minimums.~~

~~a. "Burn" means usage and is defined as metered throughput or an estimated quantity such as Minimum Daily Quantity (MinDQ), as defined in Rule No. 1, for customers without automated meters, the Daily Contract Quantity for core aggregators, or the Daily Forecast Quantity for the Utility Gas Procurement Department.~~

~~b. Example five-day periods are: Nov. 1 through Nov. 5, Nov. 6 through Nov. 10, Nov. 11 through Nov. 15 and so on. November with 30 days has six 5-day periods. December, January and March with 31 days have a 6-day period at the end of the month. February has a shortened 3 or 4-day period at the end of the month. The current 5-day period will run its course fully before the implementation of the 70% daily requirement. In the event that inventories rise above the 70% daily trigger levels by 1 Bcf, then a new, 5-day period will be implemented on the following day.~~

~~c. Example calculations for determining volumes subject to the daily balancing standby rate are: if over 5 days, total burn is 500,000 therms and total deliveries (including withdrawal) are 240,000 therms, then 10,000 therms is subject to daily balancing standby rate. (50% times 500,000 minus 240,000 equals 10,000).~~ L

~~d. Example calculations in using NGI's Daily Gas Price Index for determining the daily balancing standby rate are: If for Jan. 6 through Jan. 10 the NGI Southern California Border quoted price ranges are $2.36- 2.39, $2.36-2.44, $2.38-2.47, $2.36-2.42, and $2.37- 2.45, respectively, then the daily balancing standby rate becomes $3.71 ($2.47 times 150%).~~

~~e. With the exception of weekends and holidays, the Utility will use quotes from the NGI publication dated on the same day as the flow date. Weekend or holiday flow dates will use the first available publication date after the weekend or holiday.~~

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(Continued)

Rule No. 30 Sheet 13 T

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

G. ~~Winter Deliveries~~Low Inventory Flow Orders (Continued)

~~2. When total inventory declines to the "peak day minimum + 20 Bcf trigger," the minimum daily delivery requirement increases to 70%. Customers are then required to be balanced (flowing supply plus storage withdrawal) at a minimum of 70% of burn on a daily basis. The 5-day period no longer applies since the system can no longer provide added flexibility. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including authorized F&U and brokerage fees) and is applied to each day's deliveries which are less than the 70% requirement. Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere. In this regime interruptible storage withdrawal is cut in half subject to the scheduling priorities established in Section D.8. All Operational Hub Services contributing to the underdelivery situation (i.e., Operational Hub deliveries greater than Operational Hub receipts) are suspended. All of the requirements in this paragraph are waived for the days that an OFO is in effect.~~ L

~~a. Peak day minimums are calculated annually before November 1 as part of normal winter operations planning. The peak day minimum is that level of total inventory that must be in storage to provide deliverability for the core 1-in-35 year peak day event, firm withdrawal commitments and noncore balancing requirement.~~

~~b. Example calculations in this regime for determining volumes subject to the daily balancing standby rates are: If on January 6 total burn is 500,000 therms, and total deliveries (including withdrawal) are 300,000 therms then 50,000 therms is subject to the daily balancing standby charge (70% times 500,000 minus 300,000 equals 50,000).~~

~~c. Example calculations in using NGI's Daily Gas Price Index for daily balancing standby rates in this regime are: if for January 6 and January 7, the NGI Southern California Border quoted price ranges are $2.36-2.39 and $2.36-2.44, then the daily balancing standby rates become $3.59 (150% of 2.39) for January 6, and $3.66 (150% times 2.44) for January 7, respectively.~~ L

~~3. When total inventories decline to the "peak day minimum + 5 Bcf trigger," the minimum daily delivery requirement increases to 90%. Customers are required to be balanced (flowing supply plus storage withdrawal) at a minimum of 90% of burn on a daily basis. Similar to the 70% regime the 5-day period no longer applies. The daily balancing standby rate is charged daily and is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including authorized F&U and brokerage fees). Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere. In this regime there are no interruptible storage withdrawals. All Operational Hub Services contributing to the underdelivery situation (i.e., Operational Hub Service deliveries greater than Operational Hub Service receipts) is suspended. All of the requirements in this paragraph are waived for the days that an OFO is in effect.~~

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(Continued)

G. ~~Winter Deliveries~~Low Inventory Flow Orders (Continued)

1. Low Operational Flow Order (Low OFO) L

a. The Utility System Operator's protocol for declaring a Low Operational Flow Order (Low OFO) is described in Rule No. 41. All Low OFO declarations will be identified by stage that will specify a Daily Imbalance Tolerance and Noncompliance Charge per the table below.

| Stage | Daily Imbalance Tolerance | Noncompliance Charge ($/therm) |
|---|---|---|
| 1 | Up to -25% | 0.025 |
| 2 | Up to -20% | 0.10 |
| 3 | Up to -15% | 0.50 |
| 4 | Up to -5% | 2.50 |
| 5 | Up to -5% | 2.50 plus Rate Schedule G-IMB daily balancing standby rate |
| EFO | Zero | 5.00 plus Rate Schedule G-IMB daily balancing standby rate |

b. The Low OFO shall apply to all customers financially responsible for managing and clearing transportation imbalances (Balancing Agents), including wholesale customers, Contracted Marketers, core aggregators, California Gas Producers and the Utility Gas Procurement Department.

c. The Low OFO period shall begin on the flow date(s) indicated by the Utility Gas Control Department. Generally an initial Low OFO event will start at Stage 1; however a Low OFO event may begin at any stage as deemed appropriate by the Utility Gas Control Department with the corresponding noncompliance charge. L

d. A Low OFO will normally be ordered at least two (2) hours prior to the Intraday 1 Cycle Nomination Deadline, or as necessary as dictated by operating conditions.

e. When a Low OFO is in effect interruptible storage withdrawals are limited to one half of the capacity normally available for interruptible withdrawals. Interruptible storage withdrawal capacity is equal to Withdrawal Capacity minus confirmed firm storage withdrawal nominations minus withdrawal allocated to the balancing function. L

f. Low OFO and EFO compliance and charges will be based on the following for determination of daily usage quantities:

i. For a Noncore End-Use Customer equipped with automated meter reading device (AMR) and SDG&E's Electric & Gas Fuel Procurement Department, compliance during a Low OFO will be based on actual daily metered usage, and the calculation after the OFO event of any applicable noncompliance charge will be based on actual daily metered usage.

ii. For a Noncore End-Use Customer with non-functioning AMR meters, compliance during a Low OFO or EFO will be based on the Customer's actual daily metered usage; or the estimated daily usage in accordance with Section C of SoCalGas Rule 14 will be substituted for the actual daily metered usage when actual metered usage is not available.

iii. For a Noncore End-Use Customer without AMR capability compliance during a Low OFO or EFO will be based on the Customer's MinDQ.

iv. For the Utility Gas Procurement Department, the Daily Forecast Quantity will be used as a proxy for daily usage.

v. For core aggregators, their Daily Contract Quantity will be used as a proxy for daily usage.

vi. For a California Producer with an effective California Producer Operational Balancing Agreement, Form 6452, compliance with a Low OFO and EFO and calculation of any noncompliance charges will be based on the difference between scheduled receipts and measured receipts for each day of an event. Low OFO and EFO compliance for a California Producer with an existing access agreement will be treated consistent with the terms of that access agreement.

g. If a Balancing Agent's Low OFO daily gas imbalance exceeds the applicable daily imbalance tolerance by 10,000 therms or less, the Low OFO, noncompliance charge will be zero. If the daily gas imbalance amount exceeds the daily imbalance tolerance by more than 10,000 therms, the Balancing Agent will be responsible for the full noncompliance charge; i.e. 10,000 therms will not be deducted from the daily gas imbalance that exceeds the daily imbalance tolerance. This exemption ~~only~~ applies only to Low OFO noncompliance charges.

h. The daily measurement quantity used to calculate the Noncompliance Charge for each Low OFO event will be the daily quantity recorded as of the month-end close of the applicable month. Noncompliance charge calculations will not be revised if subsequent adjustments are made to a customer's measurement quantities.

2. Emergency Flow Order (EFO)

a. The Utility System Operator's protocol for declaring an Emergency Flow Order (EFO) is described in Rule No. 41.

b. During an EFO Customer usage must be less than or equal to scheduled supply for a gas day. EFOs will have a zero percent tolerance and a noncompliance charge of $5.00 plus the Schedule G-IMB Daily Balancing Standby Rate for each Therm of usage in excess of scheduled supply.

(Continued)

c. The EFO shall apply to all customers financially responsible for managing and clearing transportation imbalances (Balancing Agents), including wholesale customers, Contracted Marketers, core aggregators, California Gas Producers and the Utility Gas Procurement Department.

d. When an EFO is in effect interruptible storage withdrawals are limited to one half of the capacity normally available for interruptible withdrawals. Interruptible storage withdrawal capacity is equal to Withdrawal Capacity minus confirmed firm storage withdrawal nominations minus withdrawal allocated to the balancing function.

e. Daily measurement quantities used to determine EFO compliance and charges are the same as those used to determine Low OFO compliance and charges.

f. The daily measurement quantity used to calculate the noncompliance charges for each EFO event will be the daily quantity recorded as of the month-end close of the applicable month. Nonc~~C~~ompliance charge calculations will not be revised if subsequent adjustments are made to a customer's measurement quantities.

~~4~~3. Information regarding the ~~established peak day minimums, daily balancing trigger levels and total storage inventory levels~~System Sendout, Withdrawal Capacity and Net Withdrawals will be made available to customers on a daily basis via the EBB ~~and other customer notification media~~.

~~5~~4. If a wholesale customer so requests, the Utility will nominate firm storage withdrawal volumes on behalf of the customer to match 100% of actual usage assuming the customer has sufficient firm storage withdrawal and inventory rights to match the customer's supply and demand.

~~6~~5. The Utility will accept intra-day nominations to increase deliveries.

7. In all cases, current ~~BCAP~~ rules for monthly balancing and monthly imbalance trading continue to apply. ~~Volumes~~ Quantities not in compliance with the ~~50%, 70% and 90% minimum delivery requirements,~~Daily Imbalance Tolerance that are purchased at the daily balancing standby rate~~,~~ are credited toward the monthly 90% delivery requirements. Daily balancing charges remain independent of monthly balancing charges. Noncore daily balancing and monthly balancing charges go to the Purchased Gas Account (PGA). Net revenues from core daily balancing and monthly balancing charges go to the Noncore Fixed Cost Account (NFCA). Schedule No. G-IMB provides details on monthly and daily balancing charges.

H. Accounting and Billing

1. The customer and the Utility acknowledge that on any operating day during the customer's applicable term of transportation service, the Utility may be redelivering quantities of gas to the customer pursuant to other present or future service arrangements. In such an event, the Utility and customer agree that the total quantities of gas shall be accounted for in accordance with the provisions of Rule No. 23. If there is no conflict with Rule No. 23, the quantities of gas shall be accounted for in the following order:

(Continued)

a. First, to satisfy any minimum quantities under existing agreements.

b. Second, after complete satisfaction of (a), then to any supply or exchange service arrangements with the customer.

c. Third, after the satisfaction of (a) and (b), then to any subsequently executed service agreement.

(Continued)

H. Accounting and Billing (Continued)

2. The customer agrees that it shall accept and the Utility can rely upon, for purposes of accounting and billing, the allocation made by customer's shipper as to the quality and quantity of gas, expressed both in Decatherm and therms, delivered at each point of receipt during the preceding billing period for the customer's account. If the shipper does not make such an allocation, the customer agrees to accept the quality and quantity as determined by the Utility. All quality and measurement calculations are subject to subsequent adjustment as provided in the Utility's tariff schedules or applicable CPUC rules and regulations. Any other billing correction or adjustment made by the customer or third party for any prior period shall be based on the rates or costs in effect when the event occurred and accounted for in the period they are reconciled. L

3. The Utility shall render to the customer an invoice for the services hereunder showing the quantities of gas, expressed in therms, delivered to the Utility for the customer's account, at each point of receipt and the quantities of gas, expressed in therms, redelivered by the Utility for the customer's account at each point of delivery during the preceding billing period. The Customer shall pay such amounts due hereunder within nineteen (19) calendar days following the date such bill is mailed.

4. Both the Utility and the customer shall have the right at all reasonable times to examine, at its expense, the books and records of the other to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to service hereunder. The Utility and the customer agree to keep records and books of account in accordance with generally accepted accounting principles and practices in the industry.

I. Gas Delivery Specifications

1. The natural gas stream delivered into the Utility's system shall conform to the gas quality specifications as provided in any applicable agreements and contracts currently in place between the entity delivering such natural gas and the Utility at the time of the delivery. If no such agreement is in place, the natural gas shall conform to the gas specifications as defined below. L

2. Gas delivered into the Utility's system for the account of a customer for which there is no existing contract between the delivering pipeline and the Utility shall be at a pressure such that the gas can be integrated into the Utility's system at the point(s) of receipt.

3. Gas delivered, except as defined in I.1 above, shall conform to the following quality specifications at the time of delivery:

L

I. Gas Delivery Specifications (Continued)

3. (Continued)

a. Heating Value: The minimum heating value is nine hundred and ninety (990) Btu (gross) per standard cubic foot on a dry basis. The maximum heating value is one thousand one hundred fifty (1150) Btu (gross) per standard cubic foot on a dry basis. L

b. Moisture Content or Water Content: For gas delivered at or below a pressure of eight hundred (800) psig, the gas shall have a water content not in excess of seven (7) pounds per million standard cubic feet. For gas delivered at a pressure exceeding of eight hundred (800) psig, the gas shall have a water dew point not exceeding 20 degrees F at delivery pressure.

c. Hydrogen Sulfide: The gas shall not contain more than twenty-five hundredths (0.25) of one (1) grain of hydrogen sulfide, measured as hydrogen sulfide, per one hundred (100) standard cubic feet (4 ppm). The gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products in the gas stream.

d. Mercaptan Sulfur: The gas shall not contain more than three tenths (0.3) grains of mercaptan sulfur, measured as sulfur, per hundred standard cubic feet (5 ppm).

e. Total Sulfur: The gas shall not contain more than seventy-five hundredths (0.75) of a grain of total sulfur compounds, measured as sulfur, per one hundred (100) standard cubic feet (12.6 ppm). This includes COS and CS2, hydrogen sulfide, mercaptans and mono, di and poly sulfides.

f. Carbon Dioxide: The gas shall not have a total carbon dioxide content in excess of three percent (3%) by volume.

g. Oxygen: The gas shall not have an oxygen content in excess of two-tenths of one percent (0.2%) by volume, and customer will make every reasonable effort to keep the gas free of oxygen.

h. Inerts: The gas shall not contain in excess of four percent (4%) total inerts (the total combined carbon dioxide, nitrogen, oxygen and any other inert compound) by volume.

i. Hydrocarbons: For gas delivered at a pressure of 800 psig or less, the gas hydrocarbon dew point is not to exceed 45 degrees F at 400 psig or at the delivery pressure if the delivery pressure is below 400 psig. For gas delivered at a pressure higher than 800 psig, the gas hydrocarbon dew point is not to exceed 20 degrees F measured at a pressure of 400 psig. L

(Continued)

I. Gas Delivery Specifications (Continued)

3. (Continued)

j. Merchantability: The gas shall not contain dust, sand, dirt, gums, oils and other substances injurious to Utility facilities or that would cause gas to be unmarketable.

k. Hazardous Substances: The gas must not contain hazardous substances (including but not limited to toxic and/or carcinogenic substances and/or reproductive toxins) concentrations which would prevent or restrict the normal marketing of gas, be injurious to pipeline facilities, or which would present a health and/or safety hazard to Utility employees and/or the general public.

l. Delivery Temperature: The gas delivery temperature is not to be below 50 degrees F or above 105 degrees F.

m. Interchangeability: The gas shall have a minimum Wobbe Number of 1279 and shall not have a maximum Wobbe Number greater than 1385. The gas shall meet American Gas Association's Lifting Index, Flashback Index and Yellow Tip Index interchangeability indices for high methane gas relative to a typical composition of gas in the Utility system serving the area.

Acceptable specification ranges are:

* Lifting Index (IL)
  IL <= 1.06

* Flashback Index (IF)
  IF <= 1.2

* Yellow Tip Index (IY)
  IY >= 0.8

n. Liquids: The gas shall contain no liquids at or immediately downstream of the receipt point.

o. Landfill Gas: Gas from landfills will not be accepted or transported.

p. Biogas: Biogas refers to a gas derived from renewable organic sources. The gas is primarily a mixture of methane and carbon dioxide. Biogas must be free from bacteria, pathogens and any other substances injurious to Utility facilities or that would cause the gas to be unmarketable and it shall conform to all gas quality specifications identified in this Rule.

(Continued)

(Continued)

I. Gas Delivery Specifications (Continued)

4. The Utility, at its option, may refuse to accept any gas tendered for transportation by the customer or on his behalf if such gas does not meet the specifications at the time of delivery as set out in I. 2 and I. 3 above, as applicable.

5. The Utility will grant specific deviations to California production from the gas quality specifications defined in Paragraph I.3 above, if such gas will not have a negative impact on system operations. Any such deviation will be required to be filed through Advice Letter for approval prior to gas actually flowing in the Utility system.

6. The Utility will post on its EBB and/or general website information regarding the available real-time Wobbe Number of gas at identified operational locations on its system.

7. Gas monitoring and enforcement hardware and software including, but not limited to, a gas chromatograph and all related equipment, communications facilities and software, identified in Exhibit A to Schedule No. G-CPS, are required, and shall be installed at each interconnection meter site where a California Producer delivers natural gas into the Utility's gas transportation system. The gas chromatograph shall monitor non-hydrogen sulfide constituents in the gas delivered, and deny access to gas that does not comply with the gas specifications set forth in the Gas Delivery Specifications, Section I.1 or I.3 above. Compliance shall be assessed using the 4- to 8-minute monitoring interval adopted in D.07-08-029 and D.10-09-001. N

8. The gas chromatograph and all related equipment and software, identified in Exhibit A to Schedule No. G-CPS, shall monitor and enforce the gas quality specifications, using the 4- to 8-minute monitoring interval adopted in D.07-08-029 and D.10-09-001. Access shall be denied by the Utility on a non-latching basis after a second consecutive monitoring interval results in an alarm for gas which exceeds the non-hydrogen sulfide specifications. The gas chromatograph and all related equipment and software shall also enable the Utility to remotely gather and retain gas quality and alarm data. Where additional measures are necessary to promote or enhance safety, SoCalGas may request a deviation from the aforementioned monitoring interval requirements established by the CPUC.

9. For California Producers currently delivering gas into the Utility's transportation system without a gas chromatograph and all related equipment and software in place, as required in Rule No. 39, non-hydrogen sulfide constituents of gas will, on an interim basis, continue to be monitored and access denied under the methods currently in place, until such time as a gas chromatograph and all related equipment and software are installed and operational, subject to Rule No. 39 conditions. N
L

(Continued)

Rule No. 30 Sheet 19

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

J. Termination or Modification L

1. If the customer breaches any terms and conditions of service of the customer's service agreement or the applicable tariff schedules and does not correct the situation within thirty (30) days of notice, the Utility shall have the right to cease service and immediately terminate the customer's applicable service agreement.

2. If the contract is terminated, either party has the right to collect any quantities of gas or money due them for transportation service provided prior to the termination.

K. Regulatory Requirements

1. Any gas transported by the Utility for the customer which was first transported outside the State of California shall have first been authorized under Federal Energy Regulatory Commission (FERC) regulations, as amended. Both parties recognize that such regulations only apply to pipelines subject to FERC jurisdiction, and do not apply to the Utility. The customer shall not take any action which would subject the Utility to the jurisdiction of the FERC, the Economic Regulatory Administration or any succeeding agency. Any such action shall be cause for immediate termination of the service arrangement between the customer and the Utility.

2. Transportation service shall not begin until both parties have received and accepted any and all regulatory authorizations necessary for such service. L

L. Warranty and Indemnification

1. The customer warrants to the Utility that the customer has the right to deliver gas hereunder and that such gas is free from all liens and adverse claims of every kind. Customer will indemnify, defend and save the Utility harmless against all loss, damage, injury, liability and expense of any character where such loss, damage, injury, liability or expense arises directly or indirectly out of any demand, claim, action, cause of action or suit brought by any person, association or entity asserting ownership of or any interest in the gas tendered for transportation hereunder, or on account of royalties, payments or other charges applicable before or upon delivery of gas hereunder.

2. The customer shall indemnify, defend and save harmless the Utility, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of the customer or the Utility), or for loss or damage to property (including the property of the customer or the Utility), which occurs or is based upon an act or acts which occur while the gas is deemed to be in the customer's control and possession or which results directly or indirectly from the customer's performance of its obligations arising pursuant to the provisions of its service agreement and the Utility's applicable tariff schedules, or occurs based on the customer-owned gas not meeting the specifications of Section I of this rule.

# SDG&E Rule 30

# RULE 30



## TRANSPORTATION OF CUSTOMER-OWNED GAS

This rule describes the general terms and conditions applicable whenever the Utility System Operator transports customer-owned gas, including wholesale customers, Utility Gas Procurement Department, other end–use customers, aggregators, marketers, and storage customers (referred to herein as "customers") gas over its system. Customers who wish to transport gas must sign the applicable agreements.

A. General

1. Subject to the terms, limitations and conditions of this rule and any applicable CPUC authorized tariff schedule, directive, or rule, the customer will deliver or cause to be delivered to the Utility and accept on redelivery quantities of gas which shall not exceed Utility's capability to receive or redeliver such quantities. Utility will accept such quantities of gas from the customer or its designee and redeliver to the customer on a reasonably concurrent basis an equivalent quantity, on a therm basis, to the quantity accepted.

2. The customer warrants to the Utility that the customer has the right to deliver the gas provided for in the customer's applicable service agreement or contract (hereinafter "service agreement") and that the gas is free from all liens and adverse claims of every kind. The customer will indemnify, defend and hold the Utility harmless against any costs and expenses on account of royalties, payments or other charges applicable before or upon delivery to the Utility of the gas under such service agreement.

3. Gas Specifications

   Unless otherwise agreed to by the Utility, the gas delivered to the Utility must meet the quality specifications detailed in Section I, below. The minimum and maximum heating value and the pressure of the gas must be such that the gas can be integrated into the Utility’s system at the Receipt Point(s).

4. In order to protect the safety and integrity of its pipeline system the Utility reserves the right to institute such measures it deems necessary to alleviate the operating condition.

B. Quantities

1. In-Kind Energy Charge and Uniform Deliveries T

   The in-kind charge for transmission fuel is referenced in SoCalGas Schedule No. G-BTS. T

   The Utility shall as nearly as practicable each day redeliver to customer and customer shall accept, a like quantity of gas as is delivered by the customer to the Utility on such day. It is the intention of both the Utility and the customer that the daily deliveries of gas by the customer for transportation hereunder shall approximately equal the quantity of gas which the customer shall receive at the points of delivery. However, it is recognized that due to operating conditions either (1) in the fields of production, (2) in the delivery facilities of third parties, or (3) in the Utility's system, deliveries into and redeliveries from the Utility's system may not balance on a day-to-day basis. The Utility and the customer will use all due diligence to assure proper load balancing in a timely manner.

(Continued)

# RULE 30



TRANSPORTATION OF CUSTOMER-OWNED GAS T

B. Quantities (Continued)

2. The gas to be transported hereunder shall be delivered and redelivered as nearly as practicable as uniform hourly and daily rates of flow. Utility may refuse to accept fluctuations in excess of ten percent (10%) of the previous day's deliveries, from day to day, if in the Utility's opinion receipt of such gas would jeopardize other operations. Customers may make arrangements acceptable to the Utility to waive this requirement.

3. The Utility does not undertake to redeliver to the customer any of the identical gas accepted by the Utility for transportation, and all redelivery of gas to the customer will be accomplished by substation on a therm-for-therm basis.

4. Transportation customers, including Utility Gas Procurement Department, wholesale customers, contracted marketers, and aggregators will be provided monthly balancing services in accordance with the provisions of Schedule G-IMB.

C. Electronic Bulletin Board

1. Utility prefers and encourages customers, including Utility Gas Procurement Department, to use Electronic Bulletin Board (EBB) as defined in Rule 1 to submit their transportation nominations to the Utility. Imbalance trades are to be submitted through EBB or by means of the Imbalance Trading Agreement Form (Form 6544). Use of the EBB is not mandatory for transportation only customers.
2. Transportation nominations may be submitted manually or through EBB. For each transportation nomination submitted manually (by means other than EBB such as facsimile transmittal), a processing charge of $11.87 shall be assessed. No processing charge will apply to an EBB subscriber for nominations submitted by fax at a time the EBB system is unavailable for use by the subscriber.

D. Operational Requirements

1. The customer must provide to the Utility the name(s) of its shipper(s) as well as any brokers or agents ("agent") used by the customer for delivery of gas to the Utility for transportation service hereunder and their authority to represent customer.

(Continued)

D. Operational Requirements (Continued)

2. Receipt Points

Utility accepts nominations from transportation customers or their representatives at the following Receipt Points into the SoCalGas system, as referenced in SoCalGas' Schedule No. G-BTS: T

- El Paso Pipeline at Blythe (Southern Transmission Zone)
- Kern River Pipeline and Mojave Pipeline (Wheeler Transmission Zone)
- PG&E at Kern River Station (Wheeler Transmission Zone)
- Occidental Petroleum at Gosford (Wheeler Transmission Zone)
- Transwestern at North Needles (Northern Transmission Zone)
- Transwestern at Topock (Northern Transmission Zone)
- El Paso Pipeline at Topock (Northern Transmission Zone)
- Questar Southern Trails Pipeline at North Needles (Northern Transmission Zone)
- Kern River Pipeline at Kramer Junction (Northern Transmission Zone)
- Line 85 (California Supply)
- North Coastal (California Supply)
- Other CA Producers (California Supply)
- Storage

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3. Backbone Transmission Capacity

Each day, Receipt Point capacities will be set at their physical operating maximums under the operating conditions for that day. The Utility System Operator will use the following rules to limit the nominations to the Receipt Point maximums and the Transmission Zone maximums.

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- Nominations using Firm Primary backbone transmission rights will have first priority. T
- Nominations using Firm Alternate backbone transmission rights within the associated transmission zone will have second priority; pro-rated if over-nominated.
- Nominations using Interruptible backbone transmission right will have third priority, pro-rated if over-nominated. T
- Firm Primary rights can "bump" Firm Alternate scheduled quantities through the Evening Cycle.
- Firm Primary and Firm Alternate can "bump" interruptible access rights through the Intraday 1 Cycle.
- Bumping will not be allowed in the Intraday 2 Cycle.

Scheduling of receipt point capacity will be pro rata within each scheduling cycle whenever the available capacity is less than the total backbone transmission nominations for each of the respective services and in the priority order established. . Notice to bumped parties will be provided via the Transactions module in EBB. Bumping in Intraday 1 is subject to the NAESB elapsed prorata rules. T

(Continued)

D. Operational Requirements (Continued)

3. Backbone Transmission Capacity (Continued) T

The Utility System Operator will accept scheduled volumes for each Receipt Point from the upstream interconnecting pipeline or operator to the maximum operating capacity of that individual point. The maximum operating capacity is defined as the facility design or contractual limitation to deliver gas into the Utility System Operator's system adjusted for operational constraints (i.e. maintenance, localized restrictions, upstream delivery pressures) as determined each day.

4. Storage Service Capacity

Each day, storage injection and withdrawal capacities will be set at their physical operating maximums under the operating conditions for that day and posted on the Utility System Operator's EBB. The Utility System Operator will use the following rules to limit the nominations to the storage maximums.

- Nominations using Firm storage rights will have first priority, pro-rated to the available firm storage capacity. T T
- All other Nominations using Interruptible storage rights will have second priority, pro-rated if over-nominated based on the daily volumetric price paid. T
- Firm storage rights can "bump" interruptible scheduled quantities through the Intraday 3 cycle. T

Notice to the bumped parties will be provided via the Transactions module in EBB. Bumping is subject to the NAESB elapsed pro rata rules.

5. Off-System Delivery Service

For each flow date, the Utility System Operator will determine if interruptible capacity is available for off-system deliveries. Such service will use the available displacement of forward haul flowing supplies. For each nomination cycle, Utility customers who have contracted with the Utility for off-system delivery service may submit a nomination for such service pursuant to rate G-OFFI, as contained in SoCalGas Schedule G-OSD, for deliveries to PG&E Points.

Scheduling of Off-System Delivery Services will be pro rata within each scheduling cycle whenever the available off-system capacity is less than the off-system confirmations.

(Continued)

# RULE 30

Sheet 5

## TRANSPORTATION OF CUSTOMER-OWNED GAS

D. Operational Requirements (Continued)

6. Nominations

The customer shall be responsible for submitting gas service nominations to the Utility System Operator no later than the deadlines specified below.

Each nomination shall include all information required by the Utility System Operator's nomination procedures. Nominations received by the Utility System Operator will be subject to the conditions specified in the service agreements with the Utility System Operator. The Utility System Operator may reject any nomination not conforming to the requirements in these rules or in applicable service agreements. The customers shall be responsible for making all corresponding upstream nomination/confirmation arrangements with the interconnecting pipeline(s) and/or operator(s).

Evening and Intraday nominations may be used to request an increase or decrease to scheduled volumes or a change to receipt or delivery points.

Intraday nominations do not roll from day to day.

Nominations submitted in any cycle will automatically roll to subsequent cycles for the specified flow date and from day-to-day through the end date or until the end date is modified by the nominating entity.

Nominations may be made in the following manner:

| FROM | TO | |
|---|---|---|
| Pipeline/CA Producer | Backbone Transportation Contract | T |
| Backbone Transportation Contract | End User, Contracted Marketer, ESP | T |
| Backbone Transportation Contract | Pool Account | T |
| Backbone Transportation Contract | Storage Account | T |
| Pool Account | End User, Contracted Marketer, ESP | |
| Pool Account | Pool Account | |
| Storage Account | End User, Contracted Marketer, ESP | |
| Pool Account | Storage Account | |
| Storage Account | Pool Account | |
| Storage Account | Storage Account | |
| Storage Account | Off-System Delivery Contract | T |
| Pool Account | Off-System Delivery Contract | T |
| Off-System Delivery Contract | Pipeline (PG&E) | T |

(Continued)

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D. Operational Requirements (Continued) N

7. Timing

All times referred to below are in Pacific Clock Time. Requests for deadline extensions may be granted for 15 minutes only if request is made prior to the deadlines shown below.

Timely Cycle

Transportation nominations submitted via EBB for the Timely Nomination cycle must be received by the Utility System Operator by 9:30 a.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility System Operator by 8:30 a.m. one day prior to the flow date. Timely nominations will be effective at 7:00 a.m. on the flow date.

Evening Cycle

Nominations submitted via EBB for the Evening Nomination cycle must be received by the Utility System Operator by 4:00 p.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility System Operator by 3:00 p.m. one day prior to the flow date. Evening nominations will be effective at 7:00 a.m. on the flow date.

Intraday 1 Cycle

Nominations submitted via EBB for the Intraday 1 Nomination cycle must be received by the Utility System Operator by 8:00 a.m. on the flow date. Nominations submitted via fax must be received by the Utility System Operator by 7:00 a.m. on the flow date. Intraday 1 nominations will be effective at 3:00 p.m. the same day.

Intraday 2 Cycle

Nominations submitted via EBB for the Intraday 2 Nomination cycle must be received by the Utility System Operator by 3:00 p.m. on the flow date. Nominations submitted via fax must be received by the Utility System Operator by 2:00 p.m. on the flow date. Intraday 2 nominations will be effective at 7:00 p.m. the same day.

Intraday 3 Cycle

Nominations submitted via EBB for the Intraday 3 Nomination cycle must be received by the Utility System Operator by 9:00 p.m. Pacific Clock Time on the flow date. Nominations submitted via fax must be received by the Utility System Operator by 8:00 p.m. Pacific Clock Time on the flow date. Physical flow is deemed to begin at 11:00 p.m. Pacific Clock Time. N

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D. Operational Requirements (Continued) N

7. Timing (Continued)

Intraday 3 Cycle (Continued)

Intraday 3 nominations are available only for firm nominations relating to the injection of existing flowing supplies into a storage account or for firm nominations relating to the withdrawal of gas in storage to meet an identified customer's usage. A customer may make Intraday 3 nominations from a third-party storage provider that is directly connected to the Utility System Operator's system or from the Utility System Operator's storage, subject to the storage provider or the Utility System Operator being able to deliver or accept the daily quantity nominated for Intraday 3 within the remaining hours of the flow day and the Utility System Operator's having the ability to deliver or accept the required hourly equivalent flow rate during the remaining hours of the flow day. Third-party storage providers will be treated on a comparable basis with the Utility System Operator's storage facilities to the extent that it can provide the equivalent service and operations.

8. Confirmation and Ranking Process

A ranking must be received by the Utility System Operator at the time the nomination or the confirmation is submitted. The nominating party will rank its supplies and the confirming party will rank its markets. The Utility System Operator will then balance the pipeline system using the "lesser of" rule and the rankings submitted.

The ranking will automatically roll from cycle-to-cycle and day-to-day until the nomination end date, unless modified by the nominating entity.

If no ranking is submitted at the time the nomination is submitted, the Utility System Operator will assign the lowest ranking to the nomination.

The Utility System Operator will compare the nominations received for each transaction and the corresponding confirmation. If the two quantities do not agree, the "lesser of" the two quantities will be the quantity scheduled by the Utility System Operator. Subject to the Utility System Operator receiving notification of confirmed transportation from the applicable upstream pipeline(s) and/or operator(s), the Utility System Operator will provide scheduled quantities on EBB.

9. As between the customer and the Utility System Operator, the customer shall be deemed to be in control and possession of the gas to be delivered hereunder and responsible for any damage or injury caused thereby until the gas has been delivered at the point(s) of receipt. The Utility System Operator shall thereafter be deemed to be in control and possession of the gas after delivery to the Utility System Operator at the point(s) of receipt and shall be responsible for any damage or injury caused thereby until the same shall have been redelivered at the point(s) of delivery, unless the damage or injury has been caused by the quality of gas originally delivered to the Utility System Operator, for which the customer shall remain responsible. N

(Continued)

# RULE 30

## TRANSPORTATION OF CUSTOMER-OWNED GAS

D. Operational Requirements (Continued)

10. Any penalties or charges incurred by the Utility System Operator under an interstate or intrastate supplier contract as a result of accommodating transportation services shall be paid by the responsible customer.

11. Customers receiving service from the Utility System Operator for the transportation of customer-owned gas shall pay any costs incurred by the Utility System Operator because of any failure by third parties to perform their obligations related to providing such service.

E. Interruption of Service

1. The customer's transportation service priority shall be in accordance with the definitions of Core and Noncore service, as set forth in Rule 1 and the provisions of Rule 14. If the customer's gas use is classified in more than one service priority and/or service level, it is the customer's responsibility to inform the Utility System Operator of the priority or priorities and service levels applicable to transportation service. Once established, such priorities cannot be changed during a curtailment period or more often than monthly except that service level 5 rates, which affect their curtailment status, may be changed as often as once per month.

2. The Utility System Operator shall have the right, without liability, to interrupt the acceptance or redelivery of gas whenever it becomes necessary to test, alter, modify, enlarge or repair any facility or property comprising a part of, or appurtenant to, the utility's system or otherwise related to its operation. The Utility System Operator will try to cause a minimum of inconvenience to the customer. Except in cases of unforeseen emergency, the utility shall give a minimum of ten (10) days advance written notice of such activity.

F. Nomination in Excess of System Capacity – High Operational Flow Order

1. The Utility Gas Control Department's protocol for ~~issuing~~declaring a~~n~~ High Operational Flow Order (High OFO) is described in SoCalGas Rule No. 41. Any High OFO shall apply to all customers, including wholesale customers and Utility Gas Procurement Department.

2. The High OFO period shall begin on the flow date(s) indicated by the Utility Gas Control Department. Customers shall be allowed to reduce their nominations or adjust their supply ranking in response to the High OFO.

3. In the event customers fail to adequately reduce their transportation nominations, the Utility
System Operator shall reduce the confirmed Backbone Transportation nominations on a pro T
rata basis across the system consistent with the scheduling priorities of backbone T
transportation. T

4. In accordance with the provisions of Schedule G-IMB, Buy-Back service shall be applied separately to each High OFO day. Customer meters subject to maximum daily quantity limitations will use the maximum daily quantity as a proxy for daily usage~~,~~. For Utility Gas Procurement Department, the Daily Forecast Quantity will be used as proxy for daily usage. For Core aggregators, their Daily Contract Quantity will be used as proxy for daily usage.

(Continued)

# RULE 30

Sheet 9

## TRANSPORTATION OF CUSTOMER-OWNED GAS

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G. ~~Winter Deliveries~~Low Inventory Flow Orders

1. Low Operational Flow Order

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a. The Utility System Operator's protocol for declaring a Low Operational Flow Order (Low OFO) is described in SoCalGas Rule No. 41. All Low OFO declarations will be identified by stage that will specify a Daily Imbalance Tolerance and Noncompliance Charge per the table below.

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| Stage | Daily Imbalance Tolerance | Noncompliance Charge ($/therm) |
|---|---|---|
| 1 | Up to -25% | 0.025 |
| 2 | Up to -20% | 0.10 |
| 3 | Up to -15% | 0.50 |
| 4 | Up to -5% | 2.50 |
| 5 | Up to -5% | 2.50 plus Rate Schedule G-IMB daily balancing standby rate |
| EFO | Zero | 5.00 plus Rate Schedule G-IMB daily balancing standby rate |

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b. The Low OFO shall apply to all customers financially responsible for managing and clearing transportation imbalances (Balancing Agents), including wholesale customers, Contracted Marketers, core aggregators, California Gas Producers and the Utility Gas Procurement Department.

c. The Low OFO period shall begin on the flow date(s) indicated by the Utility Gas Control Department. Generally, an initial Low OFO event will start at Stage 1; however a Low OFO event may begin at any stage, as deemed appropriate by the Utility Gas Control Department, with the corresponding noncompliance charge.

d. A Low OFO will normally be ordered at least two (2) hours prior to the Intraday 1 Cycle nomination deadline, or as necessary as dictated by operating conditions.

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e. When a Low OFO is in effect, interruptible storage withdrawals are limited to one half of the capacity normally available for interruptible withdrawals. Interruptible storage withdrawal capacity is equal to withdrawal capacity minus confirmed firm storage withdrawal nominations minus withdrawal allocated to the balancing function.

f. Low OFO and EFO compliance and charges will be based on the following for determination of daily usage quantities:

i. For a Noncore End-Use Customer equipped with an automated meter reading device (AMR) and SDG&E's Electric & Fuel Procurement Department, compliance during a Low OFO will be based on actual daily metered usage, and the calculation after the Low OFO event of any applicable noncompliance charges will be based on actual daily metered usage.

ii. For a Noncore End-Use Customer with non-functioning AMR, compliance during a Low OFO or EFO will be based on the Customer's actual daily metered

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usage; or the estimated daily usage in accordance with Section C of SDG&E Rule 17 will be substituted for the actual daily metered usage when it is not available.

iii. For a Noncore End-Use Customer without AMR, compliance during a Low OFO or EFO will be based on the Customer's Minimum Daily Quantity.

iv. For the Utility Gas Procurement Department, the Daily Forecast Quantity will be used as a proxy for daily usage.

v. For core aggregators, their Daily Contract Quantity will be used as a proxy for daily usage.

g. If a Balancing Agent's Low OFO daily gas imbalance exceeds the applicable daily imbalance tolerance by 10,000 therms or less-, the Low OFO noncompliance charge- will be zero. If the daily gas imbalance amount exceeds the daily imbalance tolerance by more than 10,000 therms, the Balancing Agent will be responsible for the full noncompliance charge; i.e., -10,000 therms will not be deducted from the daily gas imbalance that exceeds the daily imbalance tolerance. This exemption applies only to Low OFO noncompliance charges.

h. The daily measurement quantity used to calculate a noncompliance charge for each Low OFO event will be the daily quantity recorded as of the month-end close of the applicable month. Noncompliance charges will not be revised if subsequent adjustments are made to a customer's measurement quantities.

2. Emergency Flow Order

a. The Utility System Operator's protocol for declaring an Emergency Flow Order (EFO) is described in SoCalGas Rule No. 41.

b. During an EFO, Customer usage must be less than or equal to scheduled supply for a gas day. EFOs will have a zero percent tolerance and a noncompliance charge of $5.00 plus the Schedule G-IMB Daily Balancing Standby Rate for each therm of usage in excess of scheduled supply.

c. The EFO shall apply to all customers financially responsible for managing and clearing transportation imbalances (Balancing Agents), including wholesale customers, Contracted Marketers, core aggregators, California Gas Producers and the Utility Gas Procurement Department.

d. When an EFO is in effect, interruptible storage withdrawals are limited to one half of the capacity normally available for interruptible withdrawals. Interruptible storage withdrawal capacity is equal to withdrawal capacity minus confirmed firm storage withdrawal nominations minus withdrawal allocated to the balancing function.

e. Daily measurement quantities used to determine EFO compliance and charges are the same as those used to determine Low OFO compliance and charges.

f. The daily measurement quantity used to calculate the noncompliance charges for each EFO event will be the daily quantity recorded as of the month-end close of the applicable month.

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Noncompliance charges will not be revised if subsequent adjustments are made to a customer's measurement quantities.

~~The Utility System Operator requires that customers deliver (using a combination of flowing supply and storage withdrawal) at least 50% of burn over a five day period from November through March. As the Utility System Operator's total storage inventory declines through the winter, the delivery requirement becomes daily and increases to 70% or 90% depending on the level of inventory relative to peak day minimums.~~

~~1. From November 1 through March 31 customers are required to deliver (flowing supply and storage withdrawal) at a minimum of 50% of burn over a 5-day period. In other words, for each 5-day period, the Utility System Operator will calculate the total burn and the total delivery. If the total delivery is less than 50% of the total burn, a daily balancing standby charge is applied. The daily balancing standby rate is 150% of the highest Southern California Border price during the five day period as published by Natural Gas Intelligence in "NGI's *Daily* Gas Price Index," including authorized franchise fees and uncollectible expenses (F&U) and brokerage fees. Imbalance trading may not be used to offset the delivery minimums.~~

~~a. "Burn" means usage and is defined as metered throughput or an estimated quantity such as Minimum Daily Quantity (MinDQ), as defined in Rule 1, for customers without automated meters, the Daily Contract Quantity for core aggregators, or the Daily Forecast Quantity for Utility Gas Procurement Department.~~

~~b. Example five-day periods are: Nov. 1 through Nov. 5, Nov. 6 through Nov. 10, Nov. 11 through Nov. 15 and so on. November with 30 days has six 5-day periods. December, January and March with 31 days have a 6-day period at the end of the month. February has a shortened 3 or 4-day period at the end of the month. The current 5-day period will run its course fully before the implementation of the 70% daily requirement. In the event that inventories rise above the 70% daily trigger levels by 1 Bcf, then a new, 5-day period will be implemented on the following day.~~

~~c. Example calculations for determining volumes subject to the daily balancing standby rate are: if over 5 days, total burn is 500,000 therms and total deliveries (including withdrawal) are 240,000 therms, then 10,000 therms is subject to daily balancing standby rate. (50% times 500,000 minus 240,000 equals 10,000).~~

~~d. Example calculations in using NGI's Daily Gas Price Index for determining the daily balancing standby rates are: If for Jan. 6 through Jan. 10 the NGI Southern California Border quoted price ranges are $2.36- 2.39, $2.36-2.44, $2.38-2.47, $2.36-2.42, and $2.37- 2.45, respectively, then the daily balancing standby rate becomes $3.71 ($2.47 times 150%).~~

~~e. With the exception of weekends and holidays, the Utility System Operator will use quotes from the NGI publication dated on the same day as the flow date. Weekend or holiday flow dates will use the first available publication date after the weekend or holiday.~~

(Continued)

# RULE 30

Sheet 10

TRANSPORTATION OF CUSTOMER-OWNED GAS T

G. Winter Deliveries (Continued)

~~2. When the total inventory declines to the "peak day minimum + 20 Bcf trigger," the minimum daily delivery requirement increases to 70%. Customers are then required to be balanced (flowing supply plus storage withdrawal) at a minimum of 70% of burn on a daily basis. The 5-day period no longer applies since the system can no longer provide added flexibility. The daily balancing standby rate is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including authorized F&U and brokerage fees) and is applied to each day's deliveries which are less than the 70% requirement. Authorized F&U will not be added to any daily standby-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere. In this regime interruptible storage withdrawal is cut in half subject to the scheduling priorities established in section D. All Operational Hub Services contributing to the underdelivery situation (i.e., Operational Hub deliveries greater than Operational Hub receipts) are suspended. All of the requirements in this paragraph are waived for the days that an OFO is in effect.~~ T T N

~~a. Peak day minimums are calculated annually before November 1 as part of normal winter operations planning. The peak day minimum is that level of total inventory that must be in storage to provide deliverability for the core 1-in-35 year peak day event, firm withdrawal commitments and noncore balancing requirement.~~

~~b. Example calculations in this regime for determining volumes subject to the daily balancing standby rates are: If on January 6 total burn is 500,000 therms, and total deliveries (including withdrawal) are 300,000 therms then 50,000 therms is subject to the daily balancing standby charge (70% times 500,000 minus 300,000 equals 50,000).~~ T

~~c.~~a. ~~Example calculations in using NGI's Daily Gas Price Index for daily balancing standby rates in this regime are: if for January 6 and January 7, the NGI Southern California Border quoted price ranges are $2.36-2.39 and $2.36-2.44, then the daily balancing standby rates become $3.59 (150% of 2.39) for January 6, and $3.66 (150% times 2.44) for January 7, respectively~~.

3. ~~When the total inventory declines to the "peak day minimum + 5 Bcf trigger," the minimum daily delivery requirement increases to 90%. Customers are required to be balanced (flowing supply plus storage withdrawal) at a minimum of 90% of burn on a daily basis. Similar to the 70% regime the 5 day period no longer applies. The daily balancing standby rate is charged daily and is 150% of the highest Southern California Border price per NGI's *Daily* Gas Price Index for the day (including authorized F&U and brokerage fees). Authorized F&U will not be added to any daily stand-by balancing charge for the Utility Gas Procurement Department to the extent it is collected elsewhere. In this regime there are no interruptible storage withdrawals. All Operational Hub Services contributing to the underdelivery situation (i.e., Operational Hub deliveries greater than Operational Hub receipts) is suspended. All of the requirements in this paragraph are waived for the days that an OFO is in effect.~~ T T N

Information regarding the ~~established peak day minimums, daily balancing trigger levels and total storage inventory levels~~System Sendout, Withdrawal Capacity and Net Withdrawals will be made available to customers on a daily basis via the EBB ~~and other customer notification media~~..

(Continued)

4. If a wholesale customer so requests, the Utility System Operator will nominate firm storage withdrawal volumes on behalf of the customer to match 100% of actual usage assuming the customer has sufficient firm storage withdrawl and inventory rights to match the customer's supply and demand.

5. The Utility System Operator will accept intra-day nominations to increase deliveries.

6. In all cases, current ~~BCAP~~ rules for monthly balancing and monthly imbalance trading continue to apply. ~~Volumes~~ Quantities not in compliance with the ~~50%, 70% and 90% minimum delivery requirements~~Daily Imbalance Tolerance that are~~,~~ purchased at the daily balancing standby rate~~,~~ are credited toward the monthly 90% delivery requirements. Daily balancing charges remain independent of monthly balancing charges. Noncore daily balancing and monthly balancing charges are booked to the SoCalGas Purchased Gas Account (PGA). Net revenues from core daily balancing and monthly balancing charges go to the SoCalGas Noncore Fixed Cost Account (NFCA). Schedule G-IMB provides details on monthly and daily balancing charges.

H. Accounting and Billing

1. Customer and the Utility System Operator acknowledge that on any operating day during the customer's applicable term of transportation service, Utility System Operator may be redelivering quantities of gas to customer pursuant to other present or future service arrangements. On any operating day when utility is both selling to customer and transporting gas for customer's account, the parties agree that the total quantities of gas shall be accounted for in accordance with the then-existing Rule 14 or succeeding rule. If there is no conflict with Rule 14, the quantities of gas shall be accounted for in the following order:

a. First, to satisfy any minimum quantities under existing agreements.

b. Second, after complete satisfaction of (a) then to any supply/exchange service arrangements with the customer.

c. Third, after the satisfaction of (a) and (b) then to any subsequently executed service agreement.

d. All other accounts.

2. Customer agrees that it shall accept, and utility can rely upon for the purpose of accounting and billing, the allocation made by Customer's shipper as to the Quality and Quantity of Gas, expressed both in Mcf and Therms, delivered at each Point of Receipt hereunder during the preceding month for Customer's account. If the shipper does not make such an allocation, Customer agrees to accept the Quality and Quantity as determined by Utility System Operator for purposes of billing and accounting. All quality and measurement calculations are subject to subsequent adjustment as defined as provided in the Utility's tariff schedules or applicable CPUC rules and regulations. Any other billing correction or adjustment made by Customer or third party for any prior billing period shall be based on rates or costs in effect when the event occurred and accounted for in the billing period they are reconciled.

(Continued)

3. Utility shall render to customer an invoice for the transportation services hereunder showing the quantities of gas, expressed in therms, delivered to utility for customer's account, at each point of receipt and the quantities of gas, expressed in therms, redelivered by utility for customer's account at each point of delivery during the preceding billing period. Customer shall pay such amounts due hereunder upon presentation of the bill, and in accordance with the provisions of Rule 9. In order to match interstate pipeline allocated calendar month delivery to usage, noncore transportion-only gas customers will be billed on a calendar month basis. Core transportation-only customers will remain in their regular billing cycle, but will have their average daily usage projected to a calendar month amount for the purpose of matching interstate pipeline allocated calendar month delivery. The calendar month usage projection will be trued-up in the next month based on that month's actual average daily usage. N

4. Each party hereto shall have, at its expense, the right at all reasonable times, to examine the books and records of the other party to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to the Contract. Each party agrees to keep records and books of account in accordance with generally accepted accounting principles and practices in the industry. N

I. Gas Delivery Specifications T L

1. The natural gas delivered into the utility's system shall conform to the gas quality specifications as provided in any applicable agreements and contracts currently in place between the entity delivering such natural gas and the utility at the time of the delivery. If no such agreement is in place, the natural gas shall conform to the gas specifications as defined below.

2. Gas delivered into the utility's system for the account of a customer for which there is no existing contract between the delivering pipeline and the utility shall be at a pressure such that the gas can be integrated into the utility's system at the point(s) of receipt.

3. Gas delivered, except as defined in H.1., shall conform to the following specifications at the time of delivery:

   a. Heating Value: The minimum heating value is nine hundred and ninety (990) Btu (gross) per standard cubic feet on a dry basis. The maximum heating value is one thousand one hundred fifty (1150) Btu (gross) per standard cubic foot on a dry basis.

   b. Moisture Content or Water Content: For gas delivered at or below a pressure of eight hundred (800) psig, the gas shall have a water content not in excess of seven (7) pounds per million standard cubic feet. For gas delivered at a pressure exceeding eight hundred (800) psig, the gas shall have a water dew point not exceeding 20 degrees F at delivery pressure.

   c. Hydrogen Sulfide: The gas shall not contain more than twenty-five hundredths (0.25) of one (1) grain of hydrogen sulfide, measured as hydrogen sulfide, per one hundred (100) standard cubic feet (4 ppm). The gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products in the gas steam. L

(Continued)

# RULE 30

Sheet 13 N

TRANSPORTATION OF CUSTOMER-OWNED GAS N

I. Gas Delivery Specifications (Continued) L

d. Mercaptan Sulfur: The gas shall not contain more than three tenths (0.3) grains of mercaptan sulfur, measured as sulfur, per hundred standard cubic feet (5 ppm).

e. Total Sulfur: The gas shall not contain more than seventy-five hundredths (0.75) of a grain of total sulfur compounds, measured as sulfur, per one hundred (100) standard cubic feet (12.6 ppm). This includes COS and $CS_2$, hydrogen sulfide, mercaptans and mono, di and poly sulfides.

f. Carbon Dioxide: The gas shall not have a total carbon dioxide content in excess of three percent (3%) by volume.

g. Oxygen: The gas shall not have an oxygen content in excess of two-tenths of one percent (0.2%) by volume, and customer will make every reasonable effort to keep the gas free of oxygen.

h. Inerts: The gas shall not contain in excess of four percent (4%) total inerts (the total combined carbon dioxide, nitrogen, oxygen and any other inert compound) by volume.

i. Hydrocarbons: For gas delivered at a pressure of 800 psig or below, the gas hydrocarbon dew point is not to exceed 45 degrees F at 400 psig or at the delivery pressure if the delivery pressure is below 400 psig. For gas delivered at a pressure above 800 psig the gas hydrocarbon dew point is not to exceed 20 degrees F measured at a pressure of 400 psig.

j. Merchantability: The gas shall not contain dust, sand, dirt, gums and other substances injurious to utility facilities or that would cause gas to be unmarketable.

k. Hazardous Substances: The gas must not contain hazardous substances (including but not limited to toxic and/or carcinogenic substances and/or reproductive toxins) concentrations which would prevent or restrict the normal marketing of gas, be injurious to pipeline facilities, or which would present a health and/or safety hazard to utility employees and/or the general public.

l. Delivery Temperature: The gas delivery temperature is not to be below 50 degrees F or above 105 degrees F.

m. Interchangeability: The gas shall have a minimum Wobbe Number of 1279 and shall not have a maximum Wobbe Number greater than 1385. The gas shall meet American Gas Association's Lifting Index, Flashback Index and Yellow Tip Index interchangeability indicies for high methane gas relative to a typical composition of gas in the utility system serving the area. Acceptable specification ranges are:

* Lifting Index ($I_L$)
  $I_L \leq 1.06$

* Flashback Index ($I_F$) L
  $I_F \leq 1.2$

(Continued)

I. Gas Delivery Specifications (Continued)

* Yellow Tip Index ($I_Y$)
$I_Y \geq 0.8$ D

n. Liquids: The gas shall contain no liquids at or immediately downstream of the receipt point.

o. Landfill Gas: Gas from landfills will not be accepted or transported.

p. Biogas: Biogas refers to a gas derived from renewable organic sources. The gas is primarily a mixture of methane and carbon dioxide. Biogas must be free from bacteria, pathogens and any other substances injurious to utility facilities or that would cause the gas to be unmarketable and it shall confirm to all gas quality specifications identified in this Rule.

4. The Utility, at its option, may refuse to accept any gas tendered for transportation by the customer or on his behalf if such gas does not meet the specifications at the time of delivery as set out in I.2 and I.3 above, as applicable.

5. A generic deviation from the minimum gas quality specifications set forth in I.3, is granted for "Historical California Production." Quality specifications for Historical California Production will be governed by the SDG&E Rule 30 in effect as of September 21, 2006 or, to the extent that production had a deviation in place at that time, pursuant to the agreement governing that deviation. Historical California Production is defined as follows: On-shore or off-shore California-produced natural gas delivered at points of interconnection existing as of January 1, 2006, up to the maximum historical deliveries or Maximum Daily Volume effective on that date as specified in any agreement permitting supply delivery at those points. If a producer moves its deliveries of Historical California Production from a point of interconnection existing as of January 1, 2006, to another existing or a new point on the system, or if one or more producers consolidate two or more existing points of interconnection existing as of January 1, 2006, to another existing or a new point on the system, the deviation granted under this provision will follow the Historical California Production provided that (a) the Utility has required or approved the change in receipt point location and (b) the continuing deviation shall not exceed the Maximum Daily Volume stated in the access agreement(s) governing deliveries at the producer's original point of interconnection and (c) specifically, the quality of the gas should not lessen to the point that it falls outside the grandfathered Rule 30 specifications.

6. In addition to the generic deviation provided in paragraph 5, the Utility will grant other specific deviations to California production from the gas quality specifications defined in H.3 above, if such gas will not have a negative impact on system operations. Any such deviation will be required to be filed through an Advice Letter for approval prior to gas actually flowing into the Utility system.

7. The Utility will grant a deviation to existing interstate supplies consistent with prior gas quality specifications if requested by the interconnecting interstate pipeline or a period of not more than 12 months from the date of D.06-09-039.

8. The Utility will post on its EBB and/or general website information regarding the available real-time Wobbe Number of gas at identified operational locations on its system.

(Continued)

# RULE 30

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TRANSPORTATION OF CUSTOMER-OWNED GAS N

J. Termination or Modification T L

1. If the customer does not deliver, for transportation at any point of receipt, a minimum of twenty thousand eight hundred (20,800) therms during any billing period in which the customer transports gas, or if the customer breaches any other terms and conditions of the Contract or applicable tariff schedule and does not correct the situation within thirty (30) days of notice, the utility shall have the right to cease service and immediately terminate the Contract. Either party may terminate the contract before expiration of its term if both parties so agree in writing.

2. If the Contract is terminated by mutual agreement, either party has the right to collect any quantities of gas or money due them for transportation service provided prior to the termination. Termination by mutual agreement is not a waiver of any remedy to which either party may be entitled for breach of the Contract.

K. Regulatory Requirements

1. Any gas transported by the Utility System Operator for the customer which was first transported outside the State of California shall have first been authorized under Federal Energy Regulatory Commission (FERC) regulations as amended. Both parties recognize that such regulations only apply to pipelines subject to FERC jurisdiction, and do not apply to the utility. The customer shall not take any action which could subject the utility to the jurisdiction of the FERC, the Economic Regulatory Administration or any succeeding agency. Any such action shall be cause for immediate termination of the Contract. T

2. Transportation service shall not begin until both parties have received and accepted any and all regulatory authorizations necessary for such service.

L. Warranty and Indemnification T

1. The customer warrants to the Utility System Operator that the customer has the right to deliver gas hereunder and that such gas is free from all liens and adverse claims of every kind. Customer will indemnify, defend and save Utility harmless against all loss, damage, injury, liability and expense of any character where such loss, damage, injury, liability or expense arises directly or indirectly out of any demand, claim, action, cause of action or suit brought by any person, association or entity asserting ownership of or any interest in the gas tendered for transportation hereunder, or on account of royalties, payments or other charges applicable before or upon delivery of gas hereunder.

2. The customer shall indemnify, defend and save harmless Utility, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of the customer or the Utility), or for loss or damage to property (including the property of the customer or the Utility), which occurs or is based upon an act or acts which occur while the gas is deemed to be in the customer's control and possession or which results directly or indirectly from the customer's performance of its obligations arising pursuant to the provisions of its service agreement and the Utility's applicable tariff schedules, or occurs based on the customer-owned gas not meeting the specifications of Section I of this rule. L

# SoCalGas Rule 41

Rule No. 41 Sheet 1

UTILITY SYSTEM OPERATION

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. D

   The activities involved in meeting any physical flowing gas supply requirements as determined by the Gas Control Department are conducted by the Operational Hub. D

   D

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").

4. The Gas Control Department will fully utilize storage injection capacity prior to issuing ~~an~~ a High OFO. 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, and off-system scheduled quantities. The forecasted system capacity shall then be compared to the latest on-system scheduled quantities. The following table summarizes which scheduled quantities are used in each cycle for the High OFO calculation for both on-system and off-system volumes:

(Continued)

Rule No. 41 Sheet 2
UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

4. (Continued)

| Cycle | Quantity Used for OFO Calculation |
|---|---|
| 1) Timely | Prior Flow Day - Evening Cycle Scheduled Quantity |
| 2) Evening* | Current Flow Day - Timely Cycle Scheduled Quantity |
| 3) Intraday 1 | Current Flow Day - Evening Cycle Scheduled Quantity |
| 4) Intraday 2 | Current Flow Day - Intraday 1 Cycle Scheduled Quantity |

~~An~~ A High OFO may be issued only if the level of quantities, from the table above, exceeds the forecasted system capacity. System linepack will not be part of the formula used to determine when ~~an~~ a High OFO shall be issued. The conditions for issuing ~~an~~ a High OFO are summarized below.

A~~n~~ High OFO is issued if Forecasted System Capacity < On-system Scheduled Quantities.

Where,

Forecasted System Capacity = Forecasted Sendout
+ Physical Storage Injection Capacity
+ Off-System Scheduled Quantities

* The Utility will provide a minimum one-hour notice prior to the Evening Cycle nomination deadline when calling an Evening Cycle High OFO.

5. SoCalGas will issue a Low OFO if, on a day prior to this Gas Day, in the sole judgment of Gas Control, the system forecast of storage withdrawal used for balancing exceeds the withdrawal capacity allocated to the balancing function. When a Low 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 a Low OFO for a Gas Day if the system forecast for the following gas day indicates the use of storage withdrawal used for system balancing will return to reasonable levels without the assistance of a Low OFO. D D, N

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

The criteria for determining Low 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.

(Continued)

Rule No. 41
UTILITY SYSTEM OPERATION



(Continued)

Emergency Flow Orders (EFO)

6. Should SoCalGas' implementation of a Low 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 a Low OFO but SoCalGas may invoke an EFO without previously invoking a Low 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.

~~5~~7. 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.

(Continued)

Rule No. 41
UTILITY SYSTEM OPERATION


(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

~~6~~8. 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 9 and 10 below), and the movement of supplies between the 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 11 and 12 below, and the movement of supplies between the Blythe and Otay Mesa Southern System delivery points will be made subject to Section 15 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.

~~7~~9. 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 9 through 19 below. T

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Rule No. 41 Sheet 4
UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued) N

~~8.~~10.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

~~9.~~ 11.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.

~~10~~12. 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.

~~11.~~ 13.Except for transactions related to the Utility Gas Procurement Department's role as "provider of last resort" (addressed below in Section 12), 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 the 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. N

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Rule No. 41 Sheet 5
UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

~~12~~14. 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 25 below. T

~~13~~15. 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 ICE Wtd 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 ICE Wtd 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 ICE 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 ICE Low for the current flow date for the relevant trading point.

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Rule No. 41 Sheet 6
UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

~~14~~16. Purchases or sales at prices that are outside the ranges specified in Section 13 (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 25 below. T

~~15~~17. 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 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 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 ICE Wtd Avg Index for the 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.

~~16~~18. Purchases and sales other than those described in Sections 14 and 15 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 25 below. T

~~17~~19. Standards, criteria and procedures set forth in Sections 13, 14, 15 and 16 apply to Operational Hub's purchases and sales as of April 1, 2009.

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~~18~~20. 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 N

(Continued)

Rule No. 41
UTILITY SYSTEM OPERATION

Sheet 7

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

~~18~~20. (Continued)

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 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.

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~~19~~21. 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

~~20~~22. 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.

UTILITY CUSTOMER FORUM

~~21~~23. 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;

(Continued)

(Continued)

UTILITY CUSTOMER FORUM (Continued)

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; L
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. L

~~22~~24. 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. T,L L L L,T

~~23~~25. 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. T

CPUC REPORTING REQUIREMENTS

~~24~~26. 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. T

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(Continued)

Rule No. 41
UTILITY SYSTEM OPERATION

Sheet 9

(Continued)

CPUC REPORTING REQUIREMENTS (Continued)

~~25~~27. On October 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 August 31 were in compliance with the standards, criteria and procedures described in Sections 9 through 19 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. T T

# SoCalGas PS V - PGA

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1

PURCHASED GAS ACCOUNT (PGA)

The PGA is a balancing account. Effective April 1, 2008, the purpose of this account is to balance the recorded cost of gas for the Single Gas Portfolio to provide procurement service for both SoCalGas and SDG&E customers with the corresponding revenue from the sale of that gas. The Single Gas Portfolio, as adopted in Decision (D.) 07-12-019, is comprised of all gas purchases to serve the combined needs of SoCalGas and SDG&E. In addition, the PGA will record adjustments in compliance with Advice No. (AL) 4291-A, 4394-B, and 4513-A and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468, Resolution G-3476, and Resolution G-3485, respectively. N N

The Utility shall maintain the PGA by making entries at the end of each month as follows:

1. A debit entry equal to the recorded gas cost in the Single Gas Portfolio Account during the month, which includes all gas and backbone transportation services purchased for SoCalGas and SDG&E's procurement customers. Costs associated with the Utility System Operator providing transportation imbalance services under Rule 30 and Schedule No. G-IMB to the Utility Gas Procurement Department will be included concurrent with the Utility Gas Procurement Department being relieved of its responsibility for minimum flow requirements. Gas purchases are net of costs allocated to company use fuel and unaccounted for gas. The Single Gas Portfolio also includes interstate and PG&E pipeline capacity costs, carrying cost of storage inventory and financial transactions, net of proceeds from secondary market transactions such as core parking, loaning, and backbone transportation services activities.

2. Credit entries equal to the procurement revenue, which includes recovery of backbone transportation services, from the sale of gas delivered to SoCalGas and SDG&E customers, including revenues associated with noncore and core aggregator Low OFO and EFO noncompliance charges under Rule 30 and Schedule No. G-IMB; and noncore standby and buyback services under Schedule No. G-IMB during the month, excluding the allowance for F&U.

3. A credit entry for supplier refunds received that are associated with interstate capacity costs previously recovered through core procurement rates pursuant to D.04-09-022.

4. An entry equal to amortization of the forecasted PGA balance, excluding the allowance for F&U.

5. A credit entry equal to the brokerage fee charged to core customers less the allowance for F&U.

6. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.

7. A credit entry equal to the El Paso settlement proceeds received pursuant to the Master Settlement Agreement approved by the FERC and CPUC (D.03-10-087). The first payment received will be reduced by the estimated net present value of refunds due to core subscription and core aggregation transportation (CAT) customers.

(Continued)

PURCHASED GAS ACCOUNT (PGA)

(Continued)

8. A credit entry equal to the settlement proceeds associated with the Sempra Settlement (Pipeline Cases) and the Price Indexing Cases Settlement pursuant to D.10-01-024. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers;

9. A credit entry equal to the FERC settlement proceeds associated with the 2000-2001 energy crisis. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers;

10. An adjusting entry for an amount allocated to core customers as calculated per the terms and conditions of the MILCs in AL 4291-A, 4394-B, and 4513-A (an offsetting amount will be recorded in the System Reliability Memorandum Account); and N

11. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

# SoCalGas PS V - NFCA

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1
NONCORE FIXED COST ACCOUNT (NFCA)

1. Purpose

The NFCA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the authorized margin (excluding the transmission revenue requirement and Backbone Transportation Service (BTS) revenue requirement) and other non-gas costs as detailed below associated with the noncore market, including funding of SoCalGas' Gas Assistance Fund (GAF) program pursuant to Advice No. 4168 with noncore revenues intended to recover these costs. The noncore market excludes the Unbundled Storage Program. Pursuant to the BCAP Decision 09-11-006, the Commission authorized the NFCA 100% balancing account treatment (i.e., balancing of 100% of noncore costs and revenues).

In accordance with Advice No. 4177-A, filed pursuant to D.07-08-029, D.10-09-001, and Resolution G-3489, the NFCA will be credited for the noncore's allocation (excluding Enhanced Oil Recovery) of the System Modification Fee (SMF) charged to California Producers to offset the system modification costs which have been incorporated in base rates in connection with SoCalGas' 2012 General Rate Case. N

The NFCA shall be divided into two subaccounts: a) authorized base margin and b) non-base margin costs and revenues.

2. Applicability

The NFCA shall apply to all noncore gas customers excluding EOR.

3. Rates

The projected year-end NFCA balance will be applied to noncore gas transportation rates.

4. Accounting Procedures – Authorized Base Margin Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

a. A debit entry equal to the seasonalized monthly amount of the authorized margin;
b. A credit entry equal to the noncore revenues to recover the authorized margin excluding revenues from (1) future non-tariff contracts with Sempra Energy affiliates not subject to competitive bidding and (2) Competitive Load Growth Opportunities for noncore Rule No. 38 and Red Team incentive revenues;
c. An entry to amortize the previous year's balance; D
d. A credit entry equal to the noncore's allocation of the SMF charged to California Producers; and N
e. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J. T

(Continued)

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 2
NONCORE FIXED COST ACCOUNT (NFCA)

(Continued)

5. Accounting Procedures – Non-Base Margin Costs and Revenues Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

a. A debit entry equal to the recorded cost for the noncore portion of company-use fuel (excluding transmission and load balancing company-use fuel);
b. A debit entry equal to the recorded cost for the noncore portion of unaccounted for gas;
c. A debit entry equal to the recorded cost for the noncore portion of well incidents and surface leaks;
d. A debit entry equal to the actual funds used, up to amounts authorized by the Commission, in providing eligible customers with assistance in paying their bills in connection with SoCalGas' Gas Assistance Fund (GAF) program;
e. A credit entry equal to the noncore revenues to recover the costs associated with this subaccount;
f. A credit entry equal to 100% of the net revenues associated with the Utility System Operator providing transportation imbalance services under Rule 30 and Schedule No. G-IMB to the Utility Gas Acquisition Department;
g. An entry to amortize the previous year's balance; and T,D
h. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J. T

6. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. For the first year subsequent to the BCAP decision, both the Authorized Base Margin Subaccount and Non-Base Margin Costs and Revenues Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis. Starting in the second year subsequent to the BCAP decision, the Authorized Base Margin Subaccount will be allocated on an Equal Percent of Authorized Margin (EPAM) basis. The Non-Base Margin Costs and Revenues Subaccount will continue to be allocated on an ECPT basis.