

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #11926
RESOLUTION G-3464
March 21, 2013

R E S O L U T I O N

Resolution G-3464. Southern California Gas Company (SoCalGas) requests approval of a new rate schedule, new agreement forms, and certain other revisions to existing tariff rules and forms to implement the new terms of California gas producers' access to the SoCalGas gas pipeline system, in compliance with Decisions 07-08-029 and 10-09-001.

PROPOSED OUTCOME: This Resolution adopts terms and conditions of access to the SoCalGas gas pipeline system for California gas producers. To implement those terms and conditions, most of SoCalGas' proposals for a new rate schedule, new agreement forms, and revisions to existing tariff rules and an existing agreement and the deletion of an existing form are adopted, while others are modified.

SAFETY CONSIDERATIONS: Several of the terms discussed in this resolution could directly or indirectly impact the safety of the SoCalGas pipeline system and the safety of SoCalGas customers, particularly those related to balancing and gas quality. The Commission has taken into account these potential safety impacts. It is the utility's responsibility to adhere to all Commission rules, decisions, General Orders and statutes including Public Utility Code Section 451 to take all actions "... necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."

ESTIMATED COST: None

By Advice Letter 4177 filed on November 30, 2010.

SUMMARY

To implement the terms and conditions of access to the SoCalGas gas pipeline system for California gas producers adopted in Decisions (D.) 07-08-029 and D.10-09-001, SoCalGas submitted Advice Letter 4177. SoCalGas' proposals include a new rate schedule, new agreement forms, and revisions to existing tariff rules and an existing agreement and the deletion of an existing form.

The Indicated Producers (IP)¹ protested AL 4177 on many issues, as discussed in this resolution.

Most of SoCalGas' proposals are adopted, while others are modified.

IP's protest is partly granted.

ExxonMobil submitted comments, and no Commission action needs to be taken regarding ExxonMobil's comments.

SoCalGas shall submit a supplemental Tier 2 advice letter which includes the modifications ordered herein.

BACKGROUND

In SoCalGas Application (A.) 04-08-018, Commission Decision (D.) 07-08-029 adopted terms and conditions by which California gas producers would be granted access to the SoCalGas pipeline system for natural gas deliveries. That decision, issued August 23, 2007, adopted an Interconnection Agreement and Operational Balancing Agreement as the templates for the terms and conditions of access. In addition, the Commission adopted monitoring and enforcement protocols for non-hydrogen sulfide constituents of California-produced gas delivered into the SoCalGas system.

¹ The Indicated Producers for the purpose of this advice letter is an ad hoc coalition representing the interests of in-state natural gas producers. Member companies include Aera Energy LLC, Chevron U.S.A. Inc., and Occidental of Elk Hills, Inc.

SoCalGas subsequently filed a Petition for Modification (PFM) of D.07-08-029 on October 4, 2007 requesting that the Commission modify those monitoring and enforcement protocols. SoCalGas also submitted a request to the Commission's Executive Director to delay submission of the compliance advice letter filing required by D.07-08-029 until such time as the Commission acted on SoCalGas' Petition. The Executive Director granted SoCalGas' request.

In D.09-01-009, the Commission declined to grant or deny SoCalGas' PFM, but reopened A.04-08-018 for the purpose of taking additional evidence on the outstanding gas quality monitoring and enforcement issues. That decision also continued the delay of the advice letter filing.

On September 2, 2010, the Commission issued D.10-09-001 granting SoCalGas' PFM. D.10-09-001 also ordered SoCalGas to file a Tier 3 advice letter in compliance with D.07-08-029, as modified by D.10-09-001.

In compliance with D.07-08-029 and D.10-09-001, SoCalGas filed Advice Letter (AL) 4177 on November 30, 2010. With AL 4177, SoCalGas submitted the following new forms:

- 1) a California Producer Operational Balancing Agreement (CPOBA) - Form 6452,
- 2) a California Producer Interconnection Agreement (CPIA) - Form 6454,
- 3) a California Producer Interconnect Collectible System Upgrade Agreement (CPICSUA) - Form 6456,
- 4) a California Producer Agreement for Transfer of Ownership of Interconnection Point Systems (CPATO) - Form 6458

SoCalGas also made various modifications to tariff Rule No. 1 (Definitions), Rule No. 30 (Transportation of Customer Owned Gas), and Rule No. 39 (Access to the SoCalGas Pipeline System).

In addition, SoCalGas made some additional modifications and proposals that weren't specifically ordered in D.07-08-029 or D.10-09-001:

- 1) text changes to the above various agreements that SoCalGas says will make the new agreements easier to understand and enforce for all parties, and
- 2) a new rate schedule, G-CPS, to recover SoCalGas' costs associated with operations and maintenance, gas quality monitoring and enforcement, and system modifications from every California producer. (Originally,

these costs were delineated in an exhibit to the Interconnection Agreement.)

With the adoption of the new forms described above, SoCalGas requests that the following forms be made inapplicable to the existing California producers who sign a CPIA and a CPICSUA.

- 1) Appendix A Producer's Payment for Utility's Investment for Facilities (Existing Facilities) - Form 6641,
- 2) Appendix A Producer's Payment for Utility's Investment for Facilities (New Facilities) - Form 6642, and
- 3) Appendix B Producer's Payment for Operation and Maintenance Fee - Form 6643.

SoCalGas proposes that these forms should continue to apply to California Producers who have existing access agreements in effect, with Form 6643 modified to reference G-CPS as the source for all components of O&M fees.

Finally, SoCalGas recommends the deletion of the currently existing Form 6640 (Producer's Application Fee Notification Letter) because actual costs, rather than the fixed fee specified in Form 6640, will now be charged by SoCalGas for capacity studies.

NOTICE

Notice of AL 4177 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was distributed to the parties listed on Attachment A of the advice letter, which includes parties in A.04-08-018.

PROTESTS

Advice Letter 4177 was protested by the Indicated Producers (IP) on December 30, 2010.² ExxonMobil filed a response to AL 4177 on December 31, 2010.

² In consideration of the end of year holidays, the Energy Division informed SoCalGas prior to the filing of AL 4177 that the Energy Division would consider late-filed protests submitted by parties up to December 31, 2010, which is later than the usual 20-day protest period. SoCalGas indicated this information in AL 4177.

IP'S PROTEST and SOCALGAS' REPLY

IP protested AL 4177 on a large variety of issues. While IP acknowledges that several of the terms of access are explicitly taken from the Commission's California Producer access decisions, D.07-0829 and D.10-09-001, IP contends that a number of changes to SoCalGas's proposal are required to ensure that the proposal is not more restrictive than the Commission intended, and additional changes are needed to limit ambiguity. For almost all protested issues, IP recommends specific language changes to the SoCalGas-proposed documents.

Exxon Mobil's response simply noted that: 1) if adopted by the Commission, SoCalGas' proposed tariff language on gas quality monitoring and enforcement will apply to ExxonMobil's existing contracts with SoCalGas, and 2) SoCalGas' proposed new rate schedule, G-CPS, will not apply to ExxonMobil's existing contracts with SoCalGas.

On January 7, 2011, SoCalGas replied to IP's protest and ExxonMobil's response. SoCalGas asserts that almost all of IP's contentions and recommendations are either without merit or do not make any meaningful improvements to the documents tendered by SoCalGas in AL 4177.

IP's protest and recommendations as well as SoCalGas' replies are provided below:

Changes that IP Asserts Are Required to Ensure Revised Contracts Are Not More Restrictive Than Commission Intended

Aggregation of Interconnect Points: IP believes that the Commission should allow a California Producer to permit aggregation of interconnection points in the proposed agreements where the points feed into the same transmission line because it has no adverse impacts to the system and promotes efficiency. The proposal by SoCalGas would require California producers to have separate agreements for each interconnection point. IP states that combining points of interconnection reduces the need for imbalance trading among producer points, without any operational impact, and simplifies contract administration.

SoCalGas contends that IP's recommendation should not be permitted, and this issue was addressed and resolved in D.07-08-029. Moreover, according to SoCalGas, requiring each interconnection to have its own contract does not place

undue burden on producers because any California producer with multiple interconnects can trade its individual operational imbalances with itself or with other California producers with duly executed CPOBAs.

In addition, SoCalGas believes that allowing aggregation of producer interconnection points within a single agreement goes against the Commission's intent in D.07-08-029 to avoid providing free balancing service to producers. According to SoCalGas, aggregation of multiple interconnection points would allow producers to use interconnect capacity at a non-operating point to increase its balancing tolerances at operational points.

Changes to Balancing Obligation: IP states that a producer's balancing obligation on excess nomination days should be consistent with Commission decision, and that SoCalGas' proposal in AL 4177 fails to reflect the Commission's directives on balancing. First, IP believes that the Commission intended to apply Rule 30 balancing requirements to California producers only on excess nomination days. Second, the CPOBA should be modified to limit the imposition of penalties on a retroactive basis and based on estimates. Third, a delay in the imbalance payback period should be permitted when there are delays in electronic bulletin board postings. Fourth, to promote balancing efforts, SoCalGas should be required to base imbalance penalties on finalized data. It should also not be permitted to apply imbalance penalties on a retroactive basis. Finally, one issue that must be addressed is the impact of firm access rights (FAR) cuts on balancing efforts. IP recommends that it is important to clarify how FAR cuts will impact balancing obligations.

SoCalGas contends that IP's recommendations on this issue are problematic on a number of counts. SoCalGas argues that: 1) An Operational Flow Order (OFO) event is already described in Rule 30 and there is no need to include a separate and different definition in the CPOBA. 2) The balancing provisions in AL 4177 do not create a double penalty situation. Electronic Bulletin Board data is not official or complete until month-end closing and producers, like all other shippers on the SoCalGas system, are expected to balance production/supplies and nominations/deliveries using the best information available, similar to interstate pipelines. Also, the CPOBA explains how measurement corrections will be handled, and this method does not imply an additional penalty. 3) IP's attempts to incorporate tenets of the Firm Access Rights proceeding in the provisions of AL 4177 are unwarranted and premature. Further, IP seems to ignore the fact that SoCalGas AL 4139 was effective September 1, 2010, and that AL

incorporated changes concerning OFO events. SoCalGas also contends that IP's recommendations would be tantamount to a substantive change that would provide producers balancing rights provided only to end-use customers, while end-use customers pay for balancing service.

Imbalance Trading: IP asserts that producers should be permitted to trade imbalances with other end-use customers when imbalance trading periods overlap given that the Commission specifically permitted imbalance trading in D.07-08-029 and did not adopt any restrictions on imbalance trading. (Imbalance trading is addressed in Section 2.2.1 of the proposed CPOBA.)

SoCalGas asserts that IP fails to acknowledge the difference between imbalance trading allowed for end-use customers and the imbalance trading that California producers were allowed under D.07-08-029. SoCalGas notes that there is a big difference between end-use customers trading their transportation imbalance (i.e. the difference between scheduled delivery minus actual usage) and California producers trading their delivery imbalance (i.e. the difference between actual and scheduled delivery). Also, SoCalGas notes that the required payback period for California producers will always end prior to the end of the end-use customer trading period. Part of the reason for this difference is to reduce or eliminate California producers' ability to use SoCalGas storage (i.e. balancing) service without paying for that service, as end-use customers do.

Non-Uniform Flow: In A.04-08-018, California producers opposed SoCalGas-proposed language that producers' gas deliveries must occur on a "uniform hourly basis." In D.07-08-029, the Commission agreed with the producers' concerns but also understood SoCalGas' operational needs. In that decision, the Commission replaced the reference to deliveries being required on a "uniform hourly basis" with the following phrase: "Producer shall to the extent feasible make deliveries of Gas at each of the Point(s) of Receipt at substantially uniform rates of flow during a particular Day." SoCalGas' proposed Section 4(b) of the CPIA sets forth language governing uniform flow requirements.

IP asserts that D.07-08-029 provides explicit contractual language to address this obligation. According to IP, SoCalGas included additional restrictive language that goes beyond the scope of the Commission's specific directives. IP recommends deletion of the restrictive language.

SoCalGas argues that, while D.07-08-029 changed the proposal in A.04-08-018 for substantially uniform rates of flow on an hourly basis to a daily basis, it did not

change other aspects of its proposal. Since the Commission adopted the Operational Balancing Agreement (OBA) and Interconnection Agreement (IA) with the exception of modifications ordered by the Commission, IP's recommendation makes additional changes not ordered by the Commission, and should be rejected.

Notice of Termination: IP contends that the interconnection and balancing agreements must provide six months of notice of termination. Sixty days, which is currently proposed, is insufficient to allow a producer to challenge the termination request and/or wind down operations.

SoCalGas notes that the Commission specifically adopted a 60-day termination notice in D.07-08-029, which was a compromise between IP's proposal in A.04-08-018 of six months and SoCalGas' proposal of 30 days.

Right of Refusal: IP objects to what it considers too broad discretion by SoCalGas to refuse a producer's gas delivery based on gas quality considerations other than those specifications stated in Rule 30. IP asserts that SoCalGas' right to refuse receipt of gas from a producer should be governed only by Rule 30 gas quality specifications.

SoCalGas says IP's proposed changes would open the door to future misinterpretation and dispute. SoCalGas argues that D.10-09-001 and D.07-08-029 do not preclude enforcement of other gas quality specifications, rules, requirements or procedures imposed on SoCalGas, such as the Commission's General Order 58-A. SoCalGas argues that IP's recommendation should be rejected.

Gas Quality Monitoring Interval: IP notes that Commission decisions D.07-08-029 and D.10-09-001 adopted a 4-to-8 minute Rule 30 monitoring interval for supplies entering the SoCalGas system. IP contends that contractual language describing these monitoring intervals should conform strictly to the Commission's decisions, and that the language proposed by SoCalGas in Rule 30 would not prevent a monitoring interval of less than 4 minutes.

SoCalGas claims that its proposed language with regard to the Rule No. 30 non-hydrogen sulfide gas quality monitoring interval is in accordance with the intent of the Commission's decisions (D.07-08-029 and D.10-09-001) and supported by the evidentiary record underlying those decisions. SoCalGas emphasizes that its

proposed language is intended to ensure compliant gas quality of California producer deliveries at the time of delivery.

Limitation of Liability: IP contends that language in some of the agreements' Limitation of Liability section creates unnecessary confusion regarding the provision of takeaway capacity or access is unnecessarily restrictive. In addition, SoCalGas' attempt to shield itself completely from consequential damages should also be rejected.

SoCalGas again asserts that IP is seeking to modify terms that were approved by the Commission in D.07-08-029. In addition, SoCalGas believes it should not, as a regulated utility, assume any risk that appropriately falls on California producers that desire to connect to the SoCalGas system.

Credit Section: IP wants the section describing creditworthiness requirement to provide producers some flexibility. IP recommends that this portion of the contract should also allow some other instrument that has the same value as the instruments currently allowed in the CPIA.

SoCalGas claims that its proposed credit sections comply with Commission decisions. SoCalGas indicates some willingness to add some of IP's proposed language, but is opposed to a deletion of some language that IP recommended. SoCalGas says it must be able to adjust its credit facility for circumstances that impact its credit exposure, in the same manner as any other commercial entity. SoCalGas recommends that IP's recommendation be rejected.

CPATO Indemnity Section: IP asserts that this section must require SoCalGas to comply with a producer's written safety regulations while on the producer's premises.

SoCalGas claims that IP's recommendation is not supported by D.07-08-029 or D.10-09-001, and amounts to an improper changing of Commission-adopted terms. In addition, SoCalGas says that IP's recommendations are inappropriate in a section related to indemnification of SoCalGas for actions by the Interconnector. Finally, SoCalGas says there is nothing to prevent the Interconnector from communicating and enforcing its own safety requirements at its facilities. SoCalGas recommends that the Commission reject IP's recommendation.

Changes that IP Asserts Are Required to Limit Ambiguity

Definition of Interconnect Capacity: IP recommends that “Interconnect Capacity” under the CPIA should be defined to provide the right to deliver quantities up to the listed interconnect capacity subject to the producer’s acquisition of downstream access and transportation rights. In addition, given that D.07-08-029 discusses several terms of producer access using maximum daily volumes (MDV), interconnect capacity should be equated to “MDV” in the CPIA and CPOBA to ensure the Commission’s ability to enforce the agreements without ambiguity. If the terms are not equivalent, there is no basis to substitute “MDV” with “Interconnect Capacity,” as proposed by SoCalGas.

SoCalGas asserts that the definition of “Interconnect Capacity” in Rule 39 is unambiguous, does not require clarification, and is derived directly from D.07-08-029. In addition, SoCalGas asserts that IP’s recommendation would confuse rather than clarify because it comingles producer interconnect capacity and SoCalGas takeaway capacity.

Definition of Historical California Supply: IP recommends that the producer interconnection agreement should clarify what will constitute “historical California supply” given that Rule 30 gas quality rules would apply to these supplies and given the use of the term in Section 4 of the CPIA.

SoCalGas concurs that IP has identified an oversight in Section 4 of the CPIA and agreed to replace the phrase “Interconnector’s Historical California Gas Supply Volume” with “Historical California Production”, which is a term described in Rule 30.

CPIA Reference to Address Interconnection Changes: To alleviate any ambiguity regarding the rules that would apply to interconnection changes, IP recommends that the CPIA must reference Rule 39 as the rule that will govern such changes.

SoCalGas asserts that IP’s recommendation should be rejected because it would create duplicate provisions found in other governing tariffs, and thereby possibly create confusion.

Firm Access Terminology: IP recommends that, given the fifteen year term of producer contracts, more generic terminology should be used to describe

transportation services from the producer interconnection point(s) in the CPIA and CPICSUA.

SoCalGas acknowledges that IP raises a valid point but suggests different language from that proposed by IP.

Equipment Related to Gas Quality Monitoring Efforts: IP says that Exhibit A of Schedule G-CPS lists meter equipment, and it should further clarify that SoCalGas will provide notice of all changes to equipment needed. It should also list all equipment required of producers. Finally, Schedule G-CPS should require SoCalGas to work with producers to minimize the costs of new equipment additions.

SoCalGas notes there is no Exhibit A to Schedule G-CPS. In any case, SoCalGas does not oppose providing a list of gas chromatograph and related equipment required for a California producer interconnection. However, SoCalGas suggests that such a list be provided on an informal basis to producers, rather than standardizing the list in SoCalGas tariff schedule G-CPS. SoCalGas does not directly oppose IP's suggestion that SoCalGas coordinate with producers to minimize costs associated with required changes, but says it has always worked with and shall continue to work with California producers to keep costs low.

Capacity Study Costs: IP argues that Rule 39(B)(3) should clarify that SoCalGas will provide notice to a producer when the utility's cost estimate for interconnection capacity study materially exceeds 120% of the estimate in advance of proceeding further with the study. IP also recommends that Rule 39(B)(3) should obligate SoCalGas to undertake an evaluation of all commercially-reasonable alternatives when developing its interconnection capacity study.

SoCalGas contends that IP's recommendation is an attempt to improperly gain a benefit that IP was unsuccessful in gaining A.04-08-018. SoCalGas claims its proposed language is consistent with and supported by D.07-08-029, and that the decision neither orders SoCalGas to provide the notice requested by IP nor to explore alternatives. SoCalGas says that IP's recommendation should be rejected.

Clarification that Rule 30 Governs Gas Quality Issues: IP says that there is no dispute that Rule 30 governs gas quality issues, and recommends that the CPIA

must clarify that Rule 30 will solely govern issues related to gas quality. Given that change, IP recommends an additional change in language in the CPATO regarding the condition of interconnect facilities that are transferred from the producer to SoCalGas.

SoCalGas believes that IP's recommendations serve no purpose, do not clarify matters, and would remove a cornerstone facet of an Interconnector's responsibility to transfer the interconnection it elected to build to SoCalGas. SoCalGas says that IP's recommendation should be rejected.

Producers Should Not Be Precluded from Challenging Rule 30 Specifications:

In addition to clarifying that Rule 30 will solely govern issues related to gas quality, IP contends that the SoCalGas contracts with producers cannot preclude producers from seeking modifications to Rule 30 gas quality specifications given D.10-09-001's stated intent to revisit these criteria. To ensure that the producers' rights are preserved, IP recommends changing a single word in the CPIA.

SoCalGas does not understand why IP is concerned but does not oppose IP's recommendation on this issue.

Notice Period before New Contracts Take Effect: IP asserts that SoCalGas should be required to comply with notice provisions of existing contracts. Where existing producer contracts provide a notice period for termination, that notice period should be triggered once the resolution for AL 4177 is issued. Where contracts don't provide for a notice period, the new contracts should take effect no earlier than 60 days following the issuance of the final resolution.

SoCalGas claims that IP's recommendation seeks to modify existing interconnection agreements, and is inappropriate and outside the scope of AL 4177.

System Modification Fee Should Be Apportioned Between Split Meter Users Similar to CPS Fees:

IP contends that Schedule G-CPS fails to include details on how system modification fees will be borne by producers sharing a split meter. To clarify how these fees will be allocated, IP proposes that system modification fees should be spread like CPS fees for the interconnection point, i.e. in accordance with each producer's effective share of the interconnect capacity.

SoCalGas replies that IP is seeking to advance a position that is not supported by the Commission's decisions. SoCalGas says it may be willing to consider some form of apportionment of the split meter fee. But, SoCalGas claims its Schedule G-CPS properly reflects the Commission's decisions, does not see a compelling justification for IP's recommendation, and can't agree to anything without further evaluation of a fully-developed proposal.

EXXONMOBIL'S RESPONSE and SOCALGAS' REPLY

ExxonMobil's response did not protest AL 4177. ExxonMobil simply notes that: 1) if adopted by the Commission, SoCalGas' proposed tariff language on gas quality monitoring and enforcement will apply to ExxonMobil's existing contracts with SoCalGas, and 2) SoCalGas' proposed new rate schedule, G-CPS, will not apply to ExxonMobil's existing contracts with SoCalGas.

In reply to ExxonMobil, SoCalGas only expresses a concern that ExxonMobil should not assume that changes to the manner in which it delivers gas into the SoCalGas system, particularly with regard to gas quality and enforcement protocols, are not subject to change.

DISCUSSION

We address each issue raised by IP below. On a few issues, we adopt IP's recommendations, but on other issues we adopt SoCalGas' proposal made in AL 4177. For many of these issues, we rely on the fact that the Commission adopted the SoCalGas-proposed Interconnect Agreement and Operational Balancing Agreement in D.07-08-029 as templates, and specified the modifications it was ordering in that decision. Where IP essentially recommends modifying the adopted IA or OBA, we are denying IP's recommendations.

Aggregation of Producer Interconnection Points: D.07-08-029 adopted SoCalGas' proposed Interconnection Agreement and Operational Balancing Agreement, except as modified in that decision. The proposed CPOBA and CPIA in AL 4177 include language that is identical to the IA and OBA adopted by the Commission where those agreements define an Interconnection Point or refer to an Interconnection Point, rather than Interconnection Point(s) as IP recommends. (On the other hand, in A.04-08-018 the California Producers' witnesses had proposed a Pro Forma Agreement under which all of a producer's receipt point locations would be encompassed.) In addition, as SoCalGas points

out, California producers may trade imbalances between themselves under the SoCalGas proposal. IP's recommendation's either seek to modify what the Commission adopted in D.07-08-029 or unnecessarily make additions to what the Commission adopted. **We deny IP's protest on this issue.**

Changes to Balancing Obligation: We mostly agree with SoCalGas on these issues, but IP does raise an appropriate observation on one point. First, IP correctly notes that Rule 30 specifies that Schedule G-IMB only applies to California producers during excess nomination days. SoCalGas' definition of OFO Day refers to Rule 30, Section F, and in Section F.5 the tariff refers to excess nomination days as the times when a California producer with an effective CPOBA would be subject to Schedule G-IMB. We will accept IP's recommendation to revise the definition of OFO Day for the purpose of the CPOBA.

However, the Commission will not accept IP's other recommendations with regard to Balancing Obligations. IP basically seems to want all imbalance penalties to be based on final data. But such final data would not be available much of the time until well after the seven-day imbalance period and 14-day payback period. IP's recommendations would substantially go beyond the few modifications ordered in D.07-08-029 of SoCalGas' proposed balancing provisions. As noted above, the Commission adopted SoCalGas' proposed IA and OBA, except as modified in D.07-08-029. The OBA anticipated that estimated operating quantities flowing at the interconnection point would be used during any current period to determine the Operational Imbalance, and that SoCalGas and the interconnector would be in contact each day in order to balance the daily delivered quantities. This language is repeated in the currently proposed CPOBA. The Commission ordered no revision of these provisions in D.07-08-029.

Broad disclaimers regarding the use of EBB data are stated in Forms 6800 and on the SoCalGas web site. But in addition to EBB data, California producers should rely on their own information and data to determine if an imbalance is properly calculated. Provision 2.5 of the CPOBA provides for a procedure to follow in the event of disputed calculations. Again, this section is repeated from the proposed OBA.

In addition, if measurement corrections occur once actual data is confirmed, how to address the amount of the correction is explained in the CPOBA, Section 2.3.

The language in Section 2.3 was already in the approved OBA with the exception of some language added in the CPOBA that provides another method by which measurement corrections could be handled. This method simply provides that measurement corrections would be paid for (either by the interconnector or SoCalGas) at the market price of gas. The Commission does not see this measurement correction method as a “penalty” as described by IP.

Finally, as SoCalGas correctly notes, IP’s attempts to incorporate tenets of the Firm Access Rights (now called Backbone Transmission Service) proceeding in the provisions of AL 4177 are unwarranted and premature. IP seems to ignore the fact that SoCalGas AL 4139 was effective September 1, 2010, and that AL incorporated changes concerning OFO events. SoCalGas also correctly contends that IP’s recommendations would be tantamount to a substantive change that would provide producers balancing rights provided only to end-use customers, while end-use customers pay for balancing service.

Imbalance Trading: SoCalGas is correct on this issue. It is true, as IP notes, that D.07-08-029 allows California producers to trade imbalances. But, the trading was intended to occur between California producers and not between producers and end-use customers. D.07-08-029 did not order any changes to Schedule G-IMB which governs how imbalance trading occurs among SoCalGas system shippers. Schedule G-IMB generally applies to customers (specifically the Utility Gas Procurement Department, end-use customers, wholesale customers, marketers and aggregators) who are shipping gas on the SoCalGas system, when their gas usage differs from their transportation deliveries or their targeted sales quantities purchased and delivered by the Utility. The only indirect exception is detailed in Section F.5 of Rule 30 which simply indicates that California producers would be subject to the buy-back service provisions of Schedule G-IMB during excess nomination days.

In addition, the seven-day imbalance tolerance period and the 14-day payback period adopted by the Commission in D.07-08-029 for California producers are completely different from the imbalance period and imbalance trading period allowed in Schedule G-IMB. California producer imbalances would generally be accumulated during much different periods than the imbalances accumulated by customers under G-IMB, and the payback period for California producers. **IP’s recommendation on this issue is denied.**

Non-Uniform Flow: IP's recommendation goes beyond what D.07-08-029 required. D.07-08-029 (pg. 27) only required SoCalGas to change its proposal that producer deliveries be made on a "uniform hourly basis" to a requirement that producer deliveries be made at substantially uniform rates during a particular day to the extent feasible. SoCalGas made the required change. The additional language that IP objects to, regarding SoCalGas' right to suspend service in the event that the Interconnector is consistently deviating from the uniform delivery requirement, was included in the IA SoCalGas proposed in A.04-08-018, and adopted in D.07-08-029. **IP's recommendation on this issue is denied.**

Notice of Termination: IP contends that the interconnection and balancing agreements must provide six months of notice of termination, while SoCalGas notes that the Commission specifically adopted a 60-day termination notice in D.07-08-029. SoCalGas is correct - D.07-8-029 (page 66) specifically adopted a 60-day termination notice requirement, recognizing that SoCalGas' proposal of 30 days may not be enough time. **IP's recommendation is denied.**

Right of Refusal: While SoCalGas added some additional language to Section 4a of the CPIA compared to the Interconnect Agreement approved in D.07-08-029, that revised language does nothing more than recognize the limitations ordered in D.07-08-029 and D.10-09-001 and that SoCalGas may refuse gas deliveries that do not meet the quality requirements of any CPUC-approved deviation granted to an Interconnector. In addition, IP quotes a phrase it says is from Section 4a of the CPIA, such that SoCalGas can consider "a number of factors including Rule 30 specifications" to determine whether it will refuse, "in its sole discretion" the quality of gas supplied by a producer. The phrase "a number of factors including Rule 30 specifications" is not contained within CPIA Section 4a. **SoCalGas' proposed language is approved.**

Gas Quality Monitoring Interval: **IP is correct on this point.** D.07-08-029 adopted a 4-to-8 minute monitoring interval for non-hydrogen sulfide constituents for California-produced gas delivered into the SoCalGas distribution system and D.10-09-001 adopted a 4-to-8 minute monitoring interval for gas delivered into the SoCalGas transmission system. Those decisions did not allow SoCalGas to arbitrarily lower the interval to below 4 minutes. IP's recommended changes should be adopted, aside from the following clarification: IP's suggested language first indicates that the 4-to-8 minute monitoring interval was adopted in D.07-08-029, but that decision only adopted the 4-to-8 minute interval for gas

delivered to the distribution system. D.10-09-001 adopted the 4-to-8 minute interval for gas delivered to the transmission system.

Limitation of Liability: SoCalGas made no significant changes to the language of the liability sections or of the definition of Interconnect Capacity from that set forth in the IA and OBA to that set forth in the CPIA and CPOBA. Again, D.07-08-029 approved the IA and OBA aside from certain modification made in the decision. **IP's recommendation on this issue is denied.**

Credit Section: We adopt IP's recommendation on this point. On page 47, D.07-08-029 provided specific language for the amount of the security deposit if a California producer was denied an unsecured line of credit. The Commission did not grant SoCalGas the right to change the amount of the deposit. SoCalGas should delete the phrase recommended for deletion by IP. And, SoCalGas has indicated willingness to add the phrase "or other instrument acceptable to SoCalGas that meets the following criteria", a phrase that also seems reasonable to the Commission.

CPATO Indemnity Section: The Commission will accept SoCalGas' proposed indemnification language in the CPATO. The CPATO was not specifically proposed by SoCalGas in A.04-08-018. In D.07-08-029, the Commission allowed California producers to design and build the facilities that interconnect with SoCalGas' system, so long as the design of the facilities and the facilities are built to meet all applicable standards, specifications, and codes as may be required. SoCalGas was directed to include this self-build option in all applicable documents concerning the design and construction of facilities that interconnect to the SoCalGas system. The Commission did not see the proposed CPATO until it was proposed in AL 4177.

The indemnification language proposed by SoCalGas for the CPATO is identical to the language in its approved Form 6600, the form used for transfer of ownership of distribution systems to SoCalGas. It provides a good template for the indemnification language for the CPATO.

In addition, IP's proposed language is vague in that it doesn't seem to provide adequate linkage between SoCalGas compliance with an Interconnector's safety regulations and the indemnification sought by SoCalGas.

Definition of Interconnect Capacity: SoCalGas' definition of Interconnect Capacity used in the CPIA is exactly the definition proposed in the Interconnection Agreement approved by the Commission in D.07-08-029. **IP's recommendation on this issue should be denied.**

Definition of Historical California Supply: SoCalGas agreed to replace the phrase "Interconnector's Historical California Gas Supply Volume" with "Historical California Production", which is a term described in Rule 30. **We will require SoCalGas to modify its proposal as agreed in its reply.**

CPIA Reference to Address Interconnection Changes: As apparently recognized by both IP and SoCalGas, Rule 39 governs capacity changes to all interconnect points. IP's recommendation would create a duplicative provision and adds differently worded language from that found in Rule 39. **IP's recommended language is denied.**

Firm Access Terminology: We agree that SoCalGas' language proposed in its reply to IP's protest is more accurate than IP's proposal, and should be adopted. **SoCalGas' language proposed in its reply is adopted.**

Equipment Related to Gas Quality Monitoring Efforts: IP seems to imply that an Exhibit A to Schedule G-CPS was proposed, but there is no Exhibit A associated with Schedule G-CPS. In any case, SoCalGas says it can provide a general list of gas chromatograph and related equipment, but does not want to formalize such a list or make it part of the tariff, and says it could provide a list to a producer as part of the application process. We will require the list as part of the tariff. If SoCalGas can provide a list at the time of the application process, it can also include such a list in the tariff. If SoCalGas finds that the list requires too frequent revision, it may file an advice letter to request deletion of the list, but it will need to demonstrate that the changes are frequent and a burden. Finally, SoCalGas expresses a concern that including such a list in the tariff may give the appearance of an endorsement of certain manufacturers. The Commission does not necessarily believe the list of required needs to specify certain manufacturers. **IP's recommendation on this issue is adopted.**

Capacity Study Costs: In D.07-08-029 the Commission was quite clear that anyone requesting a capacity study should have to pay for the actual cost of the study, but adopted a special provision for California producers related to the cost estimates of such studies, i.e. it required SoCalGas to provide producers with a

cost estimate with a range of plus or minus 20%. The Commission declined to adopt specific milestones related to the development of any capacity studies, and instead found that “the milestones and scope of each capacity study should be left to SoCalGas and the requesting party to work out on a case-by-case basis.” **IP’s recommendation is denied on this issue.**

Clarification that Rule 30 Governs Gas Quality Issues: The Commission believes that Rule 30 already provides adequate guidance to California producers regarding the gas quality specifications required for their deliveries. In addition, we believe that SoCalGas’ language in the Right of Refusal section adequately describes the conditions under which refusals could be made by SoCalGas based on gas quality. Finally, the language in the CPATO which IP recommends deleting, in the “Condition of System” section is taken directly from the current Form 6800, which has identical language. **IP’s recommendation is denied on this issue.**

Producers Should Not Be Precluded from Challenging Rule 30 Specifications: IP is concerned that producers would be limited in their ability to participate in future gas quality proceedings unless a slight change is made to the language proposed by SoCalGas in the CPIA. The language recommended by IP was in the original IA proposed by SoCalGas and approved by the Commission. **IP’s recommendation is adopted on this issue.**

Notice Period before New Contracts Take Effect: IP’s recommendation is outside the scope of AL 4177. D.07-08-029 ordered that SoCalGas was authorized to replace existing access agreements with California producers, with the exception of ExxonMobil and its affiliate, with an IA and OBA as the current access agreements expire or are terminated pursuant to the agreements. Neither D.07-08-029 nor D.10-09-001 provided for any specific notice period and SoCalGas has not proposed one in AL 4177. IP’s recommendation essentially seeks to insert a provision into existing contracts. **IP’s recommendation is denied on this issue.**

System Modification Fee Should Be Apportioned Between Split Meter Users Similar to CPS Fees: We will adopt IP's proposal on this issue. IP proposes that system modification fees should be spread like CPS fees for the interconnection point, i.e. in accordance with each producer's effective share of the interconnect capacity. SoCalGas says it may be willing to consider some form of apportionment of the split meter fee, but claims its Schedule G-CPS properly reflects the Commission's decisions, it does not see a compelling justification for IP's recommendation, and cannot agree to IP's proposal until a fully-developed proposal is presented and evaluated.

Schedule G-CPS is a newly proposed schedule. SoCalGas claims its proposal properly reflects Commission decisions, but its proposal on this issue was not specifically examined in A.04-08-018. IP's proposal is just as valid as SoCalGas'.

SoCalGas also says that IP's proposal would complicate collection efforts at split meter sites, but at the same time Schedule G-CPS requires CPS fees at split meter sites to be allocated in accordance with each producer's share of the Interconnect Capacity.

ExxonMobil's Comments

We do not need to make any findings with regard to ExxonMobil's comments.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. On August 23, 2007, the Commission issued D.07-08-029, which adopted terms and conditions by which California gas producers would be granted access to the SoCalGas pipeline system for natural gas deliveries.
2. SoCalGas filed a Petition for Modification (PFM) of D.07-08-029 on October 4, 2007 requesting that the Commission modify gas quality monitoring and enforcement protocols adopted in D.07-08-029.
3. In D.09-01-009, the Commission declined to grant or deny SoCalGas' PFM, but reopened A.04-08-018 for the purpose of taking additional evidence on the outstanding gas quality monitoring and enforcement issues.
4. On September 2, 2010, the Commission issued D.10-09-001 granting SoCalGas' PFM. D.10-09-001 also ordered SoCalGas to file a Tier 3 advice letter in compliance with D.07-08-029, as modified by D.10-09-001.
5. In compliance with D.07-08-029 and D.10-09-001, SoCalGas filed Advice Letter (AL) 4177 on November 30, 2010.
6. Advice Letter 4177 was protested by the Indicated Producers (IP) on December 30, 2010.
7. ExxonMobil filed a response to AL 4177 on December 31, 2010.
8. IP protested AL 4177 on a large variety of issues, as described above. IP contends that a number of changes to SoCalGas's proposal are required to ensure that the proposal is not more restrictive than the Commission intended, and to limit ambiguity.
9. ExxonMobil's response did not protest AL 4177. ExxonMobil commented on the relation of certain tariff provisions proposed in AL 4177 to ExxonMobil's existing contracts with SoCalGas.
10. On January 7, 2011, SoCalGas replied to IP's protest and ExxonMobil's response.

11. SoCalGas asserts that almost all of IP's contentions and recommendations are either without merit or do not make any meaningful improvements to the documents tendered by SoCalGas in AL 4177.
12. **Aggregation of producer interconnection points:** IP's recommendations either seek to modify what the Commission adopted in D.07-08-029 or unnecessarily make additions to what the Commission adopted.
13. **Changes to Balancing Obligation:** IP's recommendation to revise the definition of OFO Day for the purpose of the CPOBA is reasonable and should be adopted, but IP's other recommendations are denied.
14. **Imbalance Trading:** IP's recommendation that California producers should be allowed to trade imbalances with entities other than just California producers should be denied. G-IMB generally applies to customers who are using or shipping gas on the SoCalGas system. In addition, California producer imbalances would generally be accumulated during completely different periods than the imbalances accumulated by customers under G-IMB, and the payback period for California producers.
15. **Non-Uniform Flow:** IP's recommendation to delete some SoCalGas-proposed language regarding non-uniform flow should be denied. IP's recommendation goes beyond what D.07-08-029 required. The additional language that IP objects to was included in the IA SoCalGas proposed in A.04-08-018, and adopted in D.07-08-029.
16. **Notice of Termination:** We should deny IP recommendation that the interconnection and balancing agreements must provide six months of notice of termination. The Commission specifically adopted a 60-day termination notice in D.07-08-029.
17. **Right of Refusal:** We should deny IP's recommendation that SoCalGas right of refusal of California producer gas deliveries should be strictly based on Rule 30 specifications. SoCalGas's proposed language does nothing more than recognize the limitations ordered in D.07-08-029 and D.10-09-001 and that SoCalGas may refuse gas deliveries that do not meet the quality requirements of any CPUC-approved deviation granted to an Interconnector.

18. **Gas Quality Monitoring Interval:** IP is correct that D.07-08-029 and D.10-09-001 adopted a 4-to-8 minute monitoring interval for gas delivered into the SoCalGas distribution and transmission systems respectively. Those decisions did not allow SoCalGas to arbitrarily lower the interval to below 4 minutes. IP's recommended changes should be adopted, aside from the following clarification noted above.
19. **Limitation of Liability:** IP's recommendation regarding the limitation of liability should be denied. SoCalGas made no significant changes to the language of the liability sections or of the definition of Interconnect Capacity from that set forth in the IA and OBA to that set forth in the CPIA and CPOBA. D.07-08-029 approved the IA and OBA aside from certain modification made in that decision.
20. **Credit Section:** IP's recommendation on credit requirements should be adopted. The Commission did not grant SoCalGas the right to change the amount of the deposit. SoCalGas should delete the phrase recommended for deletion by IP. SoCalGas has indicated willingness to add the phrase "or other instrument acceptable to SoCalGas that meets the following criteria", a phrase that also seems reasonable to the Commission.
21. **CPATO Indemnity Section:** The Commission should accept SoCalGas' proposed indemnification language in the CPATO. The indemnification language proposed by SoCalGas for the CPATO is identical to the language in its approved Form 6600, the form used for transfer of ownership of distribution systems to SoCalGas. It provides a good template for the indemnification language for the CPATO.
22. **Definition of Interconnect Capacity:** SoCalGas' definition of Interconnect Capacity used in the CPIA is exactly the definition proposed in the IA approved by the Commission in D.07-08-029. IP's recommendation on this issue should be denied.
23. **Definition of Historical California Supply:** SoCalGas agreed to replace the phrase "Interconnector's Historical California Gas Supply Volume" with "Historical California Production", which is a term described in Rule 30. We will require SoCalGas to modify its proposal as agreed in its reply.

24. **CPIA Reference to Address Interconnection Changes:** IP's recommendation should be denied because it would create a duplicative provision and adds differently worded language from that found in Rule 39.
25. **Firm Access Terminology:** SoCalGas' language proposed in its reply to IP's protest is more accurate than IP's proposal, and should be adopted. IP's protest on this point is granted, but SoCalGas' language proposed in its reply is adopted.
26. **Equipment Related to Monitoring Efforts:** SoCalGas should provide a general list of gas chromatograph and related equipment part of the tariff.
27. If SoCalGas finds that the list requires too frequent revision, it may file an advice letter to request deletion of the list, but it will need to demonstrate that the changes are frequent and a burden. The Commission does not necessarily believe the list of required needs to specify certain manufacturers. IP's recommendation on this issue should be adopted.
28. **Capacity Study Costs:** In D.07-08-029 the Commission declined to adopt specific milestones related to the development of any capacity studies, and instead found that "the milestones and scope of each capacity study should be left to SoCalGas and the requesting party to work out on a case-by-case basis." IP's recommendation should be denied on this issue.
29. **Clarification that Rule 30 Governs Gas Quality Issues:** Rule 30 already provides adequate guidance to California producers regarding the gas quality specifications required for their deliveries. SoCalGas' language in the Right of Refusal section adequately describes the conditions under which refusals could be made by SoCalGas based on gas quality. The language in the CPATO which IP recommends deleting, in the "Condition of System" section is taken directly from the current Form 6800, which has identical language. IP's recommendation should be denied on this issue.
30. **Producers Should Not Be Precluded from Challenging Rule 30 Specifications:** The language recommended by IP was in the original IA proposed by SoCalGas and approved by the Commission. IP's recommendation should be adopted on this issue.

31. **Notice Period before New Contracts Take Effect: IP's recommendation is outside the scope of AL 4177:** Neither D.07-08-029 nor D.10-09-001 provided for any specific notice period and SoCalGas has not proposed one in AL 4177. IP's recommendation essentially seeks to insert a provision into existing contracts. IP's recommendation should be denied on this issue.
32. **System Modification Fee Should Be Apportioned Between Split Meter Users Similar to CPS Fees:** IP's proposal should be adopted on this issue. Schedule G-CPS requires other CPS fees at split meter sites to be allocated in accordance with each producer's share of the Interconnect Capacity, and SoCalGas offered inadequate reasons why IP's recommendation should not be adopted.

THEREFORE IT IS ORDERED THAT:

1. The request of the Southern California Gas Company (SoCalGas) in Advice Letter 4177 to implement terms and conditions of access to the SoCalGas pipeline system for California gas producers is partly approved and partly modified as stated below.
2. The Indicated Producers' (IP's) recommendations on the following issues are denied:
 - a. aggregation of producer interconnect points,
 - b. imbalance trading,
 - c. non-uniform flow,
 - d. notice of termination,
 - e. right of refusal,
 - f. limitation of liability,
 - g. CPATO Indemnity Section,
 - h. definition of interconnect capacity,
 - i. CPIA reference to address interconnect changes,
 - j. capacity study costs,
 - k. a clarification that only Rule 30 governs gas quality issues, and
 - l. notice period before new contracts take effect.
3. With regard to IP's recommendation on balancing obligations, IP's recommendation to revise the definition of OFO day for the purpose of the CPOBA is granted. IP's other recommendations with regard to balancing obligations are denied.

4. The Indicated Producer's recommendation with regard to the proper gas quality monitoring interval is granted with the following clarification: SoCalGas shall accurately refer to the decisions which adopted the 4-to-8 minute monitoring interval for the producers connected to the distribution and transmission system.
5. With regard to the credit section of the California Producer Interconnection Agreement, the revisions recommended by IP are adopted.
6. With regard to the definition of historical California supply, SoCalGas shall modify its proposal as agreed to in its reply to IP's protest.
7. With regard to firm access technology, the language proposed by SoCalGas in its reply to IP's protest shall be adopted.
8. With regard to equipment related to gas quality monitoring efforts, IP's proposed revisions to SoCalGas' proposal are adopted.
9. With regard to IP's concern that producers should not be precluded from challenging Rule 30 specifications, IP's proposed revision to SoCalGas' proposal is adopted.
10. With regard to IP's recommendation that the system modification fee should be apportioned between split meters similar to CPS Fees, IP's recommendation is adopted.
11. Within 15 days of the effective date of this resolution, SoCalGas shall submit a supplemental Tier 2 advice letter which incorporates the modifications ordered herein.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 21, 2013; the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director