

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Agenda Item 14

Agenda I.D. # 12540

RESOLUTION G-3486

December 5, 2013

ENERGY DIVISION

R E S O L U T I O N

Resolution G-3486 Southern California Gas Company requests approval of a revision to its Rule No. 30, Transportation of Customer-Owned Gas. The revision would clarify the procedures used in situations where there is a system wide overnomination yet additional supplies are needed on the company's Southern System.

PROPOSED OUTCOME: This Resolution approves the proposed revision and requires Southern California Gas Company to provide basic information concerning the impact of the revision in its Annual Compliance Report on Southern System Reliability.

SAFETY CONSIDERATIONS: This resolution has an indirect positive impact on customer safety through its potential to reduce curtailments.

ESTIMATED COST: Not known

By Advice Letter 4515 filed on July 1, 2013.

SUMMARY

This Resolution approves the Southern California Gas Company (SoCalGas) proposed revision to Rule No. 30 (Transportation of Customer-Owned Gas) of SoCalGas' tariff. The resolution requires that SoCalGas report the effectiveness of the revisions in its Southern System Annual Compliance Report and provide for a discussion of the revision at its next Southern System Annual Customer Forum.

SoCalGas filed Advice Letter (AL) 4515 on July 1, 2013 requesting authorization to revise Rule No. 30. The revision would clarify the procedures used in situations where there is a system wide overnomination of gas supplies by

shippers yet additional supplies are needed on the company's Southern System. The revision would provide that in these situations, receipts at Southern System receipt points will not be reduced below 110 % of the Southern System minimum flow requirement. The 10% "margin of error" is intended to hedge against the possibility that supplies nominated into the Southern System do not materialize.

BACKGROUND

Under certain circumstances the Southern California Gas transmission pipeline system can become overnominated. This can occur in situations such as when shippers on the SoCalGas pipeline system request more gas to be delivered into the system than system capacity can accept. Decision (D.) 06-12-031 established, as part of the implementation of a system of firm access rights, Operational Flow Order (OFO) procedures which address overnomination situations. The OFO procedures are set forth in Section F of SoCalGas' Rule No. 30. The procedures authorize SoCalGas to cut confirmed receipt point access nominations on a pro rata basis across the system according to the scheduling priorities adopted for receipt point access. In D.09-11-006, the Commission adopted OFO protocols for SoCalGas that are set forth in SoCalGas' Rule No. 41.

In addition to being responsible for operating the SoCalGas transmission system, the SoCalGas System Operator (SO) is responsible for maintaining minimum flows on the Southern System. The Southern System requires a certain minimum amount of supply (which can vary depending upon conditions) in order to operate safely, efficiently and effectively. The amount of the minimum flow requirement is equal to the entire demand on the SoCalGas Southern System, which includes both core and noncore customer demand, less gas supply that is flowed from the Northern System to the South. When expected gas supply receipts into the Southern System are below the required minimums, the SoCalGas SO must take certain measures to try to increase flows into the Southern System. SoCalGas Rule No. 41 defines the process that the SO uses to maintain minimum flows on the Southern System. If Southern System flows are still below the required minimum despite the SO's efforts, curtailments of customers could occur.

SoCalGas states that nine times since October of 2012 the SO has needed to maintain minimum flows on the Southern System on OFO days. AL 4515 states that "In such instances, the system as a whole is overnominated (i.e.,

scheduled deliveries exceed forecasted burn and storage injections) but the Southern System is undernominated and needs additional supplies. In order to avoid an interruption or curtailment of service to southern system customers, in each of these instances, SoCalGas maintained interruptible Backbone Transmission Service (BTS) nominations for necessary Southern System supplies and reduced higher priority nominations at other receipt points in order to keep total scheduled quantities from exceeding forecasted system capacity.”¹

SoCalGas comments that **the treatment of supplies needed to provide minimum flows on the Southern System when the overall system is overnominated are not addressed in its rules** and that customers would better understand the process if specificity were added to the rules. AL 4515 proposes to give greater clarity to the process and seeks to implement steps that would help ensure that minimum flows are met on days when the system is overnominated. To help ensure that minimum flows are met when the system is overnominated, SoCalGas requests that the existing procedure “should be expanded to include a 10% margin for error in case supplies do not materialize in later [nomination] cycles. It has been its experience that supply delivery in later cycles is not certain, particularly on overnomination days. Adding a 10% margin of error would help ensure that the System Operator is able to provide minimum flows..., while at the same time limiting additional prorations at receipts points outside the Southern System.”² Following on these points SoCalGas requests that the following be added to the “Confirmation Order” discussion in Section D.3 of Rule No. 30:

“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.”³

¹ Revisions to Rule No. 30, Transportation of Customer-Owned Gas. Advice No. 4515. July 1, 2013. p. 2.

² Ibid., pp. 2-3.

³ Ibid., p. 3. On July 25, 2013 SoCalGas provided a **Substitute Sheet for SoCalGas Advice No. 4515**. The substitute sheet replaces page three of the AL and makes corrections in the wording of the proposed addition to Rule No. 30. The footnoted text above reflects the corrected wording.

SoCalGas states that “If this rule revision is adopted, the process that SoCalGas uses to ensure adequate Southern System supplies on days when the system as a whole is overnominated will be clearer to its customers, and the System Operator will obtain a small, but important, additional margin of error to work with in case not all Southern System nominations actually materialize.”⁴

NOTICE

Notice of AL 4515 was made by publication in the Commission’s Daily Calendar. Southern California Gas Company states that a copy of the Advice Letter was mailed to the parties listed on Attachment A to the Advice Letter, which includes interested parties in the 2009 Biennial Cost Allocation Proceeding, A.08-02-001, and the Triennial Cost Allocation Proceeding, A.11-11-002, in accordance with Section 3.14 of General Order 96-B.

PROTESTS

SoCalGas’ AL 4515 was timely protested by the Indicated Producers.⁵ The Indicated Producers (IP) filed a protest on July 22, 2013. The protest states that “The Indicated Producers do not oppose SoCalGas’s proposal but request that the Commission acknowledge and commit to review the effects of this proposal on other customers and shippers.”⁶

On July 29, 2013 SoCalGas replied to the protest of the IP. The reply notes that there is the potential for impacts on customers but contends that this impact will not necessarily increase cost and that the impact does not require future review.

DISCUSSION

The revisions to Rule No. 30 should be approved. SoCalGas should provide information in its Southern System Annual Compliance Report (ACR) concerning: (1) the frequency of events where overnominations occurred system wide yet the System Operator was required to maintain minimum

⁴ Ibid., p. 3.

⁵ The Indicated Producers include, for the purposes of this Protest, Chevron U.S.A., Inc. BP Energy Company, Occidental energy Marketing Inc. and ConocoPhillips Company.

⁶ Protest of the Indicated Producers to Southern California Gas Company Advice Letter 4515. July 22, 2013. p. 1.

flows, (2) the effectiveness of the 10% margin of error and any need to increase or decrease the margin, and (3) the observed impact on other receipt points.

The Indicated Producer's protest states that the proposed Rule No. 30 revisions would result in increased capacity cuts at other system receipts. Further, it notes that SoCalGas agrees that these capacity cuts will occur. The protest asserts that these increased cuts "can drive increased costs to customers over time, to the extent that suppliers are required to modify their supply sourcing or nominations to respond to these cuts."⁷ The Indicated Producers comment that the revisions make no proposal to account for those costs. While not opposing the revisions, the Indicated Producers argue that the Commission should "acknowledge, however, that there will be costs for other customers and shippers that are not accounted for and commit to reviewing these impacts after the tool's first year of implementation."⁸ SoCalGas in its reply agrees that the changes to Rule No. 30 have the potential to increase capacity cuts at other receipt points but does not agree that this will necessarily result in increased costs for customers. In this regard SoCalGas notes that the prioritization is limited and that nominations in excess of the 110% would be subject to pro rata cuts just like all other nominations. Based on this SoCalGas asserts that the shipper impact is likely to be minimal. Further, SoCalGas argues that shippers will be aware of the prioritization and they can plan for it and in some circumstances achieve cost savings. Considering that shippers will differ in their approach to nominations SoCalGas argues that "it would be difficult, if not impossible to accurately quantify the 'impact' of prioritization on any particular customer, let alone a group of customers...."⁹ SoCalGas also notes that the proposed prioritization will reduce System Reliability Memorandum Account (SRMA) charges since the SO will not have to procure duplicative supplies to make up for pro rata cuts. The reply contends that "Such savings would need to be factored into any sort of rational 'impact' analysis, but they cannot be accurately quantified because, as a result of prioritization, the System Operator will not need to incur them. Accordingly, any ex post 'impact' analysis would

⁷ Ibid., p. 1.

⁸ Ibid., p. 2.

⁹ Reply to Protest of SoCalGas Advice No. (AL) 4515 - Revisions to Rule No. 30, Transportation of Customer-Owned Gas. July 29, 2013. p. 2.

necessarily be missing one of its most important components.”¹⁰ Based on this SoCalGas argues that it would not be useful for the Commission to review the impact of the proposed prioritization.

The Commission agrees with SoCalGas that it is difficult to determine the cost impact on individual customers or group of customers prior to any pro-rated cuts. SoCal Gas should provide for a discussion of the impact of the revisions at the next Southern System Customer Forum.

When IP was asked, through an Energy Division data request, what methodology it would propose to capture costs, no methodology was offered. The Commission **agrees with SoCalGas that it is difficult to determine the cost impact on individual customers or group of customers, but** does not fully agree with SoCalGas’ assertion that SRMA savings cannot be determined. However, without the ability to determine customer costs, such savings will not answer the cost issue raised by IP. Nonetheless, the inability to accurately determine costs does not mean that the impact of the proposed revision cannot and should not be monitored and reviewed. Basic information concerning the frequency of events, the magnitude of the impact on other receipt points and the ongoing appropriateness of using a ten percent margin of error will be helpful to all parties. Customer/Shipper information, provided through the forum and Southern System workshops will also provide input concerning the effectiveness of the proposed revisions. Further, the proposed change is one of several tools approved and proposed by SoCalGas for use in managing Southern System reliability. Information concerning the use of the various tools is important for understanding and evaluating the impact and benefits of each tool and their combined use.

SoCalGas should provide the information regarding the effectiveness of the revision to Rule 30 proposed in AL 4515 in its ACR. SoCalGas is required to submit an ACR via an advice letter every year, in compliance with its Rule 41, to report its procurement activities conducted to support Southern System Reliability. The Commission must approve the ACR advice letter by a resolution.

¹⁰ Ibid., p. 2.

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.

No comments were submitted

FINDINGS AND CONCLUSIONS

1. The Southern California Gas Company (SoCalGas) Southern System requires a minimum amount of supply to operate safely, efficiently and effectively. The System Operator has responsibility for managing this minimum flow requirement.
2. Under certain circumstances the SoCalGas System can become overnominated, i.e., when shippers request more gas be delivered to the SoCalGas transmission system than system capacity can accept. SoCalGas' Rule No. 30 authorizes cuts to confirmed receipt point access nominations on a pro rata basis across the system according to scheduling priorities when the system is overnominated.
3. In certain instances the SoCalGas system as a whole can be overnominated while the Southern System is undernominated, and additional supplies are needed at Southern System receipt points. The treatment of supplies needed to provide minimum flows on the Southern System when the overall system is overnominated is not addressed in SoCalGas' tariff rules.
4. Advice Letter (AL) 4515 proposes revisions to Rule No. 30 that will clarify the process for shippers and help ensure that minimum flows are met when the system is overnominated. Specifically, the revisions state that, in the event of a system wide overnomination, receipt points on the Southern System will not be reduced below 110% of the minimum flow requirement.
5. The revisions will result in increases in capacity cuts to other receipt points. This increase has the potential to result in increased costs to shippers. However, shippers may, depending on their practices realize reduced costs.

The revisions will also reduce System Reliability Memorandum Account Charges (SRMA).

6. Increased shipper costs, should they occur, and reduced SRMA costs cannot be accurately calculated at this time in a manner that will allow for a cost assessment of the proposed revisions.
7. Information concerning operations using a revised Rule No. 30 provide a means of reviewing its' effectiveness and should be included in the SoCalGas Annual Compliance Report. Discussions with shippers at the Southern System Customer Forum and workshops will provide information from shippers concerning the impact of the revisions.

THEREFORE IT IS ORDERED THAT:

1. The request of the Southern California Gas Company to revise Rule No. 30 as requested in Advice Letter 4515 is approved.
2. Southern California Gas Company shall include, in its Annual Compliance Report, information on:
 - (a) the frequency of system wide overnomination concurrent with the need of the System Operator to maintain minimum flows;
 - (b) the effectiveness of the 10% margin of error and the need to increase or decrease the margin of error; and
 - (c) the impact on deliveries to other receipt points.
3. Southern California Gas Company shall provide for discussion of the revised Rule No. 30 at its next Southern System Annual Customer Forum.

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 December 05, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director