

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**ID #13977
RESOLUTION G-3506
June 11, 2015**

R E S O L U T I O N

Resolution G-3506: Southern California Gas Company Requests Approval of Natural Gas Administrative Services Agreement between Southern California Gas Company and Gasoducto Rosarito

PROPOSED OUTCOME:

- This Resolution approves the Administrative Services Agreement between Southern California Gas Company and affiliate Gasoducto Rosarito.

SAFETY CONSIDERATIONS:

- 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:

- Monthly services fee of \$8000 plus the applicable Value Added Tax for any month in which one or more transactions have occurred. The Services Fee will be adjusted annually based on the Mexican Consumer Price Index. The costs will apply across the five year term of the agreement.

By Advice Letter 4784 filed on March 26, 2015.

SUMMARY

This Resolution approves Advice Letter (AL) 4784. The Advice letter requests approval of an administrative services agreement with Southern California Gas Company's (SoCalGas) Mexico affiliate Gasoducto Rosarito (GR) to provide administrative support whenever SoCalGas transports natural gas on the

pipelines of its Mexican affiliates, GR and Transportadora de Gas Natural (TGN). SoCalGas may transport gas supplies on these pipelines from time to time in support of SoCalGas' Southern System reliability and when testing its pipelines for system integrity.

BACKGROUND

In certain situations, to support SoCalGas Southern System reliability, it is more efficient, or potentially necessary, to transport natural gas from the system's Blythe/Ehrenberg receipt point to Otay Mesa using Mexican affiliate company pipelines.¹ Commission Resolution G-3474 approved the use of these shipments via affiliate lines under specified circumstances. This alternative is used when supply is needed at Otay Mesa and when cost effective relative to the cost of spot purchases at Otay Mesa; or when there is insufficient supply available through spot purchases. The Administrative Services Agreement proposed in AL 4784 is necessary to support the actual transportation of natural gas supplies.

The agreements currently being used for administrative services and four additional agreements for transportation services are the subjects of SoCalGas AL 4668. That AL requests the approval of agreements that were not submitted for prior approval as required. AL 4668 has been suspended pending Commission review. The differences between the agreement for administrative services currently being used and that proposed in AL 4784 are, with the exception of the introduction of a Consumer Price Index annual adjustment to the fee, administrative in nature.

¹ Ehrenberg is on the Arizona border close to Blythe California. Ehrenberg/Blythe is the main receipt point for SoCalGas Southern System supply which is delivered to the Arizona/California border via the El Paso Southern Mainline. The Otay Mesa receipt point is close to the border with Mexico at San Diego.

NOTICE

Notice of AL 4784 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed to the SoCalGas GO 96-B service list.

PROTESTS

AL 4784 was not protested.

DISCUSSION

General Order 96-B Energy Industry Rule 7, Section 7.1 requires that after a utility enters into a contract it shall submit an advice letter requesting approval. The rule requires that the contract include a statement that the contract does not become effective until approved by the Commission. Affiliate Transaction Rule III.B.1:Resource Procurement, similarly requires prior approval. General Order 96-B, Energy Industry Rule 5.3(5) states that, with certain exceptions, contracts must be submitted for Commission approval through a Tier 3 Advice Letter. AL 4784 was submitted as a Tier 3 AL.

Services provided under the proposed agreement include reporting on monthly transportation activities, securing and maintaining required permits, coordinating with a Customs Broker, payment of broker fees, providing SoCalGas with documentation of transactions, payment of customs fees, providing required regulatory reports and maintaining communications concerning transactions within the limits of the Affiliate Transaction Rules. Fees for the service are \$8000 per month and paid only in those months when one or more transactions, i.e., the import, international transit, and export of a specified quantity of gas takes place. The monthly fee is adjusted annually based on the Mexican Consumer Price Index. The Consumer Price Index adjustment is reasonable. A review of recent, 2010 - 2014 Consumer Price Index data for Mexico shows that inflation has remained relatively stable within a band of 3.4 to 4.2 percent.

AL 4784 should be approved. The agreement proposed in the AL is necessary for use of a Commission approved tool to help maintain SoCalGas Southern System reliability. The tool provides the opportunity to maintain reliability at a lower cost under certain circumstances and as the only alternative under other

circumstances. The agreement is substantially the same as that currently used in support of the transportation services now being provided as part of a Commission approved Southern System reliability tool. The agreement has a five year term.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. Southern California Gas Company (SoCalGas) filed Advice Letter (AL) 4784 on March 26, 2015 as a Tier 3 AL requesting approval of an administrative services contract with a Mexican affiliate company, Gasoducto Rosarito.
2. Per General Order 96-B, Energy Industry Rules, contracts entered into by utilities generally require Commission approval before becoming effective. Affiliate Transaction Rules require agreements to procure services from an affiliate company to have prior Commission approval.
3. The agreement for administrative services is necessary for the use of a Commission approved tool to help maintain reliability on the SoCalGas Southern System.
4. The proposed agreement is substantially the same as that currently in use by SoCalGas. The only exception is that the proposed agreement includes an annual fee adjustment based on the annual change in the Mexican Consumer Price Index.
5. The annual fee adjustment proposed in the agreement is reasonable. The transportation tool the agreement supports can only be used when cost effective relative to other alternatives or if no other alternatives are available.
6. Advice Letter 4784 should be approved.

THEREFORE IT IS ORDERED THAT:

1. The Natural Gas Administrative Services Agreement between Southern California Gas Company and Gasoducto Rosarito as requested in Advice Letter AL 4784-G is approved.

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 June 11, 2015 the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director