Decision 16-07-008 July 14, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) and San Diego Gas & Electric Company (U902G) for Authority to Revise their Curtailment Procedure.	Application 15-06-020 (Filed June 26, 2015)

DECISION ADOPTING CURTAILMENT PROCEDURES SETTLEMENT AGREEMENT

Summary

By this decision, we adopt the Curtailment Procedures Settlement Agreement (Settlement), set forth in Attachment 1. In adopting the Settlement, we grant the Joint Motion, dated April 28, 2016, of Southern California Gas Company, San Diego Gas & Electric Company (the "Applicant Utilities"), the California Independent System Operator, Southern California Edison Company, Southern California Generation Coalition, Indicated Shippers, and the California Manufacturers & Technology Association (collectively, the "Settling Parties").

The Settlement proposes resolution of all outstanding issues in this proceeding, except for those that are separately addressed in the "Daily Balancing Proposal Settlement Agreement" as adopted in Decision 16-06-021. As discussed below, we find that the Settlement conforms to the Commission's rules and criteria relating to alternate dispute resolution through settlement. Accordingly, because we find the Settlement reasonable in light of the whole record, consistent with the law, and in the public interest, we approve the Settlement in its entirety and without modification. We direct Applicant Utilities

to implement the provisions of the Settlement in accordance with the Ordering Paragraphs of this decision, as discussed below.

1. Procedural Background

The proposed Settlement was brought before us in Application (A.) 15-06-020, a proceeding to consider revisions to Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) curtailment procedures for natural gas service. SoCalGas and SDG&E filed A.15-06-020 on June 26, 2015.

In support of the Application, the Applicant Utilities served prepared testimony on interested parties. Protests and responses were filed on August 10, 2015. A prehearing conference was held October 27, 2015, to discuss procedural matters. The Assigned Commissioner's Scoping Memo and Ruling, filed and served on November 6, 2015, set hearings for the curtailment rule revisions.

Intervenor testimony was submitted on February 5, 2016. Rebuttal testimony was submitted on March 4, 2016, by SoCalGas and SDG&E as well as Southern California Generation Coalition (SCGC). On the first day of scheduled hearings, the parties announced that they had agreed to settlement principles and would be filing a motion for approval of a settlement agreement. On March 28, 2016, SoCalGas and SDG&E served a Notice of Settlement Conference pursuant to Rule 12 of Commission's Rules of Practice and Procedure (Rules). The Settlement Conference was held telephonically on April 5, 2016.

A Joint Motion for adoption of the Curtailment Procedures Settlement Agreement (Settlement) was filed on April 28, 2016. In filing the Joint Motion, SoCalGas, SDG&E (the "Applicant Utilities"), the California Independent System Operator, Southern California Edison Company (SCE), SCGC, Indicated Shippers, and the California Manufacturers & Technology Association (CMTA)

(collectively, the "Settling Parties") requested that the standard 30-day comment period provided by Rule 12.2 be reduced to 10 days. We grant this request. The reduced comment period enabled the Commission to consider the Settlement 20 days earlier than otherwise would apply. No comments were filed in response to the Joint Motion.

2. Description of the Proposed Settlement

The proposed Settlement resolves outstanding disputes relating to the issues in parties' testimony. We summarize below the major issues addressed in testimony and note how the Settlement resolves those issues.

SoCalGas and SDG&E presented testimony proposing gas curtailment procedure revisions to allow end-use curtailments to be effectuated in one or more of 10 defined local service zones, rather than the current system-wide curtailment process. These proposed curtailment procedure revisions would restructure the order in which SoCalGas and SDG&E curtail noncore customers to protect deliveries to higher priority customers while simplifying the process. In conjunction with proposals for revised curtailment procedures, SoCalGas and SDG&E also proposed to eliminate the San Joaquin Valley and Rainbow Corridor/San Diego open season requirements as well as the distinction between firm and interruptible noncore service.

We review below how the Settlement resolves parties' positions with respect to the SoCalGas and SDG&E testimony. We review specifically how the Settlement resolves disputed issues relating to: (a) curtailment order; (b) local service zones; (c) open seasons, rate structures, and contracts; and (d) other tariff provisions, as noted below.

2.1. Curtailment Order

SoCalGas and SDG&E testimony proposed a seven-step queue for effectuating natural gas curtailments should the System Operator deem it necessary to curtail service. SoCalGas and SDG&E also proposed tariff modifications for implementing the new curtailment order to SoCalGas Rule 23 and SDG&E Gas Rule 14.

SCE, SCGC, and Indicated Shippers proposed various modifications. SCE and SCGC expressed concern that the proposed curtailment order would adversely impact electric grid reliability. Indicated Shippers was concerned that it could potentially create safety concerns for some customers to comply with curtailment orders. SCE and SCGC expressed concerns about the relationship of storage injection and withdrawal to the curtailment order. SCE proposed including Off-System Delivery (OSD) service in the curtailment order.

Settling Parties propose to use the framework for the curtailment order as proposed by SoCalGas and SDG&E, but with modifications to address various concerns raised by parties, summarized as follows:

- Step 1 is modified to allow all dispatchable electric generation (EG) forecasted to go into service during a curtailment order to run as scheduled, subject to Step 2 cuts, should the curtailment be called based on day-ahead forecasts.
- Step 2 is modified so that: (a) the maximum percentage cut available for dispatchable EGs in Step 2 is 40% in summer and 60% in winter; (b) to the extent operationally feasible, SoCalGas and SDG&E will try to base curtailments on day-ahead forecasts of peak EG loads provided by the relevant Electric Grid Operator(s) as defined in Rule 1; and clarify that, if the relevant Electric Grid Operator(s) informs SoCalGas and SDG&E that a proposed curtailment of dispatched EG load pursuant to this provision could adversely affect electric grid reliability or cause firm electric load shedding, SoCalGas and SDG&E may in its sole

discretion reduce the proposed curtailment of dispatched EG load and move to the next curtailment step.

- Step 3 is modified so that pre-established refinery minimum usage requirements are held for Step 4; refinery minimum usage requirements are defined as the usage level required to safely operate refinery processing units, to avoid material damage to operating equipment, and to avoid operational outages extending materially beyond the curtailment period and shall take into account other relevant factors such as the length of notice provided.
- Step 4 is modified to include remaining refinery load not curtailed in Step 3 as Step 4a. Step 4b is the remaining EG load not curtailed in Step 2.
- Steps 5 through 7 are not modified.

Outside of the curtailment order, storage injection and withdrawal provisions are not incorporated into the curtailment procedures. Off-System Delivery will be addressed in the SoCalGas and SDG&E Rule 30 scheduling provisions. As such, the Utility System Operator can discontinue OSD transactions to the extent that providing the OSD service would make a supply-related situation worse, subject to the North American Energy Standards Board elapsed pro rata rules. SoCalGas Rule 30 is clarified so that, in addition to critical customers as defined in Rule 1, preference will be given to refinery minimum usage when an operating emergency is declared.

2.2. Local Service Zones

SoCalGas and SDG&E testimony presented a detailed, tariff-level local service zone map with descriptions of the local service zones. No party explicitly opposed the local service zones. SCGC, however, expressed a desire that the tariffs specify that SoCalGas and SCGC could effectuate curtailment in an area smaller than a local service zone if it was possible to reduce customer impacts.

In the Settlement, Indicated Shippers expressed a desire that SoCalGas and SDG&E could effectuate a curtailment in an area larger than a local service zone, if it was possible to reduce customer impacts. Indicated Shippers also expressed a desire for local service zones to be subject to future review.

Settling Parties agree to adopt local service zones as proposed by SoCalGas and SDG&E. The Settlement includes modifications to language in SoCalGas Rule 23 Section C relating to effectuating curtailments in areas smaller or larger than local service zones. The modified language is not necessary for inclusion in SDG&E Gas Rule 14 since SDG&E exists entirely within one local service zone. The local service zones themselves may be a topic for consideration at the Utility Customer Forum described in SoCalGas Rule 41.

2.3. Open Seasons, Rate Structures, and Contracts

SoCalGas and SDG&E currently offer noncore customers firm or interruptible transportation services on the integrated gas system. SoCalGas and SDG&E testimony proposed to end the firm and interruptible designations for noncore transportation service and offer only a single noncore transportation service.

SoCalGas and SDG&E also proposed to end pipeline capacity open seasons, currently conducted in the San Joaquin Valley and in the Rainbow Corridor/San Diego areas pursuant to Decision (D.) 02-11-073 and D.06-09-039. As a result of these proposals, SoCalGas and SDG&E requested authority to terminate all noncore customer contracts for transportation service that are effective on the date of this decision on the first day of the month following 90 days from approval of the application, coincident with implementation of the new curtailment procedures. SoCalGas and SDG&E would generate new

month-to-month noncore transportation service contracts for execution by the utilities and their customers.

SCGC was the only party to submit testimony on these items, preferring that open season requirements continue with firm and interruptible rate distinctions in the potentially capacity constrained areas.

Settling Parties agree that capacity open seasons are no longer required to be conducted in potentially capacity constrained areas and that SoCalGas and SDG&E's end-use noncore rate schedules will no longer distinguish between firm and interruptible transportation service (except for SoCalGas Schedule No. G-BTS, Backbone Transportation Service). To implement these changes, the Settlement specifies that all noncore customer contracts for transportation service in effect on the effective date of the Settlement are terminated on the first day of the month following 90 days from the date of this decision, and new month-to-month contracts will be implemented. As a point of clarification, EG customers subject to curtailment in Step 1, Step 2, or Step 4 are not required to establish Curtailment Baseline Quantities in their transportation contracts.

2.4. Other Tariff Provisions

SoCalGas and SDG&E submitted testimony to eliminate tariff provisions related to the Service Interruption Credit (SIC). SCGC submitted testimony that these provisions continue. Settling Parties agree that SoCalGas and SDG&E may remove these provisions from their tariffs.

SoCalGas and SDG&E also sought to eliminate tariff provisions relating to diversion of customer owned gas. SCE supported retention of these tariff provisions and proposed modifications to include diversion protocols. Settling Parties agree to include provisions related to diversion of customer owned gas.

SoCalGas sought to eliminate a provision related to submission of an Advice Letter within 24 hours of initiating a curtailment event. SCGC advocated for retention of this tariff provision. Settling Parties agree that SoCalGas Rule 23 will continue to include a notification requirement. However, for non-maintenance-related curtailments, SoCalGas will have five business days from the conclusion of the curtailment to submit the Advice Letter. For maintenance-related curtailments, SoCalGas will have five business days from the end of each calendar quarter to submit an Advice Letter providing information relating to all maintenance-related curtailments during the quarter.

SoCalGas and SDG&E submitted testimony regarding customer trading of maximum allowed usage capacity. SCE and SCGC submitted testimony that raised concerns that EG customers would be precluded from participating in trades of curtailment requirements. During the Settlement process, CMTA expressed concern that trades would be limited to within a single local service zone, even if more than one zone was curtailed. Settling Parties agree that trading all or a portion of the Customer's maximum allowed usage capacity will be limited to non-EG noncore and noncore cogeneration customers (to include non-dispatchable EG). Trading of maximum allowed usage capacity will be allowed within the same curtailed Local Service Zone or Zones.

SoCalGas and SDG&E sought to include tariff language regarding authority to temporarily shut off gas service without liability. CMTA advocated against this tariff modification during the Settlement process. Settling Parties agree that this new language will not be added, and that SoCalGas and SDG&E will not temporarily physically shut off gas service to any customer without first notifying the customer, except in an emergency.

SoCalGas and SDG&E sought to remove language relating to interruption of service due to planned maintenance and had proposed to largely move this language, with some modification, to SoCalGas Rule 23. CMTA expressed concerns with this change. Settling Parties agree the language will remain in SoCalGas Rule 30 (with minor modification to eliminate reference to the SIC). SoCalGas Rule 23 will simply reference Rule 30 provisions.

SoCalGas and SDG&E proposed a definition of "Electric Grid Operators" to be added to SoCalGas Rule 1. Settling Parties agree that this definition will be expanded to include Glendale Water and Power and Burbank Water and Power as recognized Electric Grid Operators for effectuating curtailments of electric generators.

SoCalGas and SDG&E sought to modify the schedule for curtailment violations that are currently levied based on when the end-user is not in compliance with the curtailment order. Violation fees increase based on when the noncompliance occurs. Customers failing to curtail on request are assessed a penalty of $1.00 per therm for the first five hours of the Customer's operating day, $3.00 per therm for hours six through eight, and $10.00 per therm for hours nine through the end of the curtailment episode.

SoCalGas and SDG&E proposed that the curtailment violation charge be $5 per therm per hour, plus the daily balancing standby rate, applicable to the entire curtailment period. SCGC submitted testimony preferring that the noncompliance charge schedule not be modified. Settling Parties agree to the modified curtailment violation schedule proposed by SoCalGas and SDG&E. Settling Parties clarified that maximum allowed usages will be hourly figures, and hourly consumption will be compared to hourly maximum allowed usage

when calculating curtailment violation charges. This clarification was incorporated into SoCalGas Rule 23 and SDG&E Gas Rule 14.

Currently, the revenue from curtailment violation charges is returned to those customers who complied with curtailment orders through an on-bill credit. SoCalGas and SDG&E proposed to move away from this process by allocating curtailment noncompliance charge revenue to the Noncore Fixed Cost Account for each respective utility and revenue from the assessment of G-IMB daily balancing standby charge revenue to the Purchased Gas Account. SCGC submitted testimony to maintain the current process of providing bill credits to customers who complied with a curtailment order.

Settling Parties agree to the rate treatment of curtailment noncompliance charge revenue proposed by SoCalGas and SDG&E.

SCGC submitted testimony expressing concern over the manner in which curtailment instructions are provided to customers. Settling Parties agree that SoCalGas and SDG&E will provide all official curtailment instructions in writing via electronic mail, with attempts to follow up by phone. Indicated Shippers submitted testimony proposing modifications to the requirements for providing notice of planned maintenance events.

The Settlement includes a redlined SoCalGas Rule 1, Rule 23, and Rule 30 and SDG&E Gas Rule 14 with the modifications agreed to by the Settlement. Settling Parties agree that, unless modified by the Settlement, the proposed tariff modifications should be adopted.

3. Standard of Review for Evaluating the Settlement

The Commission has long favored the settlement of disputes. This policy supports worthwhile goals, including reducing litigation costs, conserving scarce resources, and allowing parties to reduce the risk that litigation will produce

unacceptable results.[1] As a result of entering into the proposed Settlement Agreement at issue here, the parties as well as Commission staff avoided the expenditure of time and resources otherwise required to fully litigate the merits of parties' disputes.

Although we favor the settlement of disputes, we have specific rules regarding the conduct of settlements as set forth in Article 12 of the Commission's Rules of Practice and Procedure. Rule 12.1(d) specifically states that the Commission will not approve a settlement "unless the settlement is reasonable in light of the whole record, is consistent with law, and in the public interest." We conclude that the instant Settlement Agreement, taken in its entirety, satisfies each of these criteria.

In evaluating the instant Settlement, it is significant that the Settlement is uncontested. In considering the merits of uncontested settlements generally, we have previously stated:

> In judging the reasonableness of a proposed settlement, we have sometimes inclined to find reasonable a settlement that has the unanimous support of all active parties in the proceeding. In contrast, a contested settlement is not entitled to any greater weight or deference merely by virtue of its label as a settlement; it is merely the joint position of the sponsoring parties, and its reasonableness must be thoroughly demonstrated by the record. (D.02-01-041, *mimeo.* at 13.)

Accordingly, by applying the standard of review discussed above, we find that the Settlement warrants adoption, and hereby adopt it, as attached hereto, and in conformance with the Ordering Paragraphs set forth below.

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[1] D.05-03-022, *mimeo*. at 7-8.

3.1. The Settlement Is Reasonable in Light of the Record

The Settling Parties state that the provisions of the Settlement are reasonable and supported by the record. For purposes of our evaluation here, the record includes the SoCalGas and SDG&E application and supporting testimony, the testimony sponsored by the non-utility parties, and the utilities' and non-utility parties' respective rebuttal testimony, together with the Settlement and the motion for its adoption.

In assessing whether a settlement is reasonable in light of the record, we evaluate the agreement as a whole, not just its individual parts, as explained in D.10-04-033:

> In assessing settlements, we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.[2]

Because each provision of the proposed Settlement is dependent on the other provisions therein, modification of any one part would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing interests.

Prior to the settlement, the parties devoted significant time and effort to working collaboratively to identify and achieve a better common understanding of the range of issues in dispute, options for narrowing disputed issues, and opportunities to compromise. The outcomes reached by the Settlement are

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[2] D.10-04-033, *mimeo*. at 9.

within the range of pre-settlement positions and outcomes presented by the parties. The Settlement represents agreement among most parties that actively participated in this proceeding. Although a few parties did not sign on to the Settlement, no party filed any comments in opposition to the Settlement.

Accordingly, in reference to Rule 12.1(d), and given the range of interests represented, as noted above, we conclude that the Settlement as a whole is reasonable in light of the entire record.

3.2. The Settlement Is Consistent with Law

In reference to Rule 12.1(d), we conclude that the Settlement is consistent with the law. The Settling Parties are represented by experienced counsel and assert that the Settlement complies with all applicable statutes and prior Commission decisions and reasonable interpretations thereof. In agreeing to the terms of the Settlement, the Settling Parties considered relevant statutes and Commission decisions and believe that the Settlement is fully consistent with those statutes and prior Commission decisions. We do not detect, and it has not been alleged, that any element of the Settlement is inconsistent in any way with Public Utilities Code Sections, Commission decisions, or the law in general.

3.3. The Settlement Is in the Public Interest

In reference to Rule 12.1(d), we conclude that the Settlement is in the public interest. The Commission has determined that a settlement that "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions" meets the "public interest" criterion.[3] All active

[3] *See* D.10-06-015, *mimeo.* at 11-12, citing D.92-12-019, *mimeo.* at 7.

parties who took positions on the issues covered by the Settlement joined the motion as signatories, indicating their belief that the Settlement represents a reasonable compromise of their respective positions. The settling parties include a range of interests, including those of the applicant utilities and of well-known representatives of impacted customer groups. Although a few parties did not sign on to the Settlement, no party affirmatively expressed opposition. The sheer number of interested parties involved in negotiations helps to ensure that the Settlement represents all parties' interests.

Although settlements are compromises of parties' preferred outcomes, the fact that multiple parties, with diverse interests and recommendations, reached a compromise that was acceptable from various viewpoints provides assurance that the overall result is reasonable. Where specific issues were identified and resolved in the Settlement Agreement, we find the results are reasonable and consistent with the record.

4. Waiver of Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment on the proposed decision is waived.

5. Assignment of Proceeding

Michel P. Florio is the assigned Commissioner and Maribeth Bushey is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On April 28, 2016, a Joint Motion was filed by SoCalGas, SDG&E, the California Independent System Operator, SCE, SCGC, Indicated Shippers, and

the CMTA for adoption of the "Curtailment Procedures" Settlement Agreement (set forth as Attachment 1 of this decision).

2. The "Curtailment Procedures" Settlement (Settlement) resolves of all contested issues in this proceeding, except for those issues that are separately addressed in the "Daily Balancing Proposal Settlement Agreement" as adopted in D.16-06-021. The Settlement resolves parties' differences regarding: (a) gas curtailment order; (b) local service zones; (c) open seasons, rate structures, and contracts; and (d) other tariff provisions.

3. Parties to the "Curtailment Procedures" Settlement represent most of the parties that actively participated in this proceeding. Although a few parties did not sign on to the Settlement, no party filed comments in opposition.

4. The parties to the "Curtailment Procedures" Settlement are fairly reflective of the affected interests.

5. No term of the "Curtailment Procedures" Settlement Agreement contravenes statutory provisions of any prior Commission decisions.

6. The "Curtailment Procedures" Settlement is reasonable in light of the record, is consistent with law, and is in the public interest.

Conclusions of Law

1. The "Curtailment Procedures" Settlement Agreement set forth in Attachment 1 meets the Commission's criteria for approval, as prescribed in Rule 12 in that it is (a) reasonable in light of the whole record, (b) consistent with law, and (c) in the public interest. Accordingly, the Settlement should be approved in its entirety and without modification.

2. The "Curtailment Procedures" Settlement Agreement set forth in Attachment 1 reasonably resolves the issues addressed therein, but does not constitute precedent for any future proceeding or any issues not included in the

Settlement. Except as expressly provided for in the Settlement, each of the Settling Parties reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Settlement.

3. This decision should be effective today so that SoCalGas and SDG&E can take prompt action to implement the Settlement Agreement pursuant to the Ordering Paragraphs of this decision so that the revised curtailment procedures presented by the Settlement can be put into place quickly, and be available if needed.

O R D E R

IT IS ORDERED that:

1. The "Curtailment Procedures" Settlement Agreement, is approved and adopted, (as set forth in Attachment 1) pursuant to the April 28, 2016, Joint Motion of Southern California Gas Company, San Diego Gas & Electric Company, and the California Independent System Operator, Southern California Edison Company, Southern California Generation Coalition, Indicated Shippers, and the California Manufacturers & Technology Association (Joint Motion). Accordingly, the Joint Motion for adoption of the Settlement is granted.

2. Southern California Gas Company and San Diego Gas & Electric Company are directed to implement the terms of the Curtailment Procedures Settlement Agreement by filing a Tier 1 Advice Letter, consistent with the tariff sheet modifications in the Settlement Agreement set forth in Attachment 1. These tariff modifications shall be effective the first day of the month following 90 days from the effective date of this Commission order approving the Settlement.

3. Application 15-06-020 is closed.

This order is effective today.

Dated July 14, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

Attachment 1

Curtailment Procedures Settlement Agreement

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise their Curtailment Procedures	Application 15-06-020 (Filed June 26, 2015)

SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G), THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), SOUTHERN CALIFORNIA GENERATION COALITION, INDICATED SHIPPERS, AND CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION CURTAILMENT PROCEDURES SETTLEMENT AGREEMENT

Pursuant to Article 12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), the California Independent System Operator (CAISO), Southern California Edison Company (SCE), Southern California Generation Coalition (SCGC), Indicated Shippers, and California Manufacturers & Technology Association (CMTA) (collectively referred to hereafter as the Settling Parties) respectfully submit to the Commission this Curtailment Procedures Settlement Agreement (Settlement). In this Settlement, the Settling Parties provide a recommended resolution of all of the contested issues this proceeding, except as identified in Section III.C of the Settlement.

I.
REASONABLENESS OF THE SETTLEMENT

The Settling Parties submit that this Settlement complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Settling Parties have recognized that there is risk involved in litigation, and that a party's filed position might not prevail, in whole or in part, in the Commission's final determination. The Settling Parties have reached compromise positions that they believe are appropriate in light of

the litigation risks. This Settlement reflects the Settling Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

II.
SETTLEMENT TERMS AND CONDITIONS

A. **Effective Date**

1. The Effective Date of this Settlement is the date upon which the Commission approves the Settlement.

2. The tariff modifications adopted by this settlement shall be submitted by Tier 1 Advice Letter to be effective the first day of the month following 90 days from the effective date of the Settlement.

B. **Settlement Terms**

1. **Curtailment Order**

a. Step 1 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

In the event of a curtailment being called based on day-ahead forecasts of peak electric generation load as described in C.1(2), all dispatchable electric generation not currently forecasted to be operating at the time the curtailment order is effective. In the event of a curtailment being called based on real-time demand, all dispatchable electric generation not operating when a curtailment order is issued.

b. Step 2 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

Up to 60% of dispatched electric generation load during November through March and up to 40% of dispatched electric generation load during April through October. To the extent operationally feasible, Utility will attempt to base these curtailments on day-ahead forecasts of peak electric generation loads provided by the relevant Electric Grid Operator(s) as defined in Rule 1. To the extent operationally feasible, Utility will work with affected Electric Grid Operators on a best efforts basis to reallocate the aggregate maximum allowed usage for the remaining dispatched electric generation load within the affected Local Service Zone(s) among all of the dispatchable electric generation facilities within the affected Local Service Zone(s) to maintain grid reliability and prevent firm electric load shedding. Any such

reallocation shall be at the sole discretion of Utility, and the default in the absence of reallocation shall be pro rata within each affected Local Service Zone. If the relevant Electric Grid Operator(s) informs Utility that a proposed curtailment of dispatched electric generation load pursuant to this section could adversely affect electric grid reliability or cause shedding firm electric customer load, Utility may in its sole discretion reduce the proposed curtailment of dispatched electric generation load pursuant to this section and move to the next curtailment step.

c. Step 3 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

Up to 100% of non-electric generation noncore and noncore cogeneration usage on a pro rata basis, except for pre-established refinery minimum usage requirements. Electric generation load that is not dispatchable by an electric grid operator and therefore not subject to curtailment in step 2 will be considered non-electric generation noncore load for the purposes of curtailment. Refineries, including cogeneration and ancillary facilities serving refineries, will be permitted to establish, subject to Utility's reasonable agreement, pre-established minimum usage requirements that are not subject to curtailment in this step. Refinery minimum usage requirements shall be established at the usage level required to safely operate refinery processing units, to avoid material damage to operating equipment and to avoid operational outages extending materially beyond the curtailment period and shall take into account other relevant factors such as the length of notice provided by Utility.[1]

d. Step 4 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

a) Up to 100% of remaining refinery load not curtailed in step 3. b) Up to 100% of remaining dispatched electric generation load not curtailed in step 2. To the extent operationally feasible, Utility will work with the affected Electric Grid Operators on a best efforts basis to reallocate the aggregate maximum allowed usage for any remaining dispatched electrical generation load within the affected Local Service Zone(s) among all of the dispatched electric generation facilities within the affected Local Service Zone(s) to maintain grid reliability and prevent firm electric load shedding. Any such reallocation shall be at the sole

[1] The underlined sentences in this section only pertain to SoCalGas, so are not included in SDG&E Rule 14.

discretion of the Utility, and the default in the absence of reallocation shall be pro rata within each affected Local Service Zone.[2]

e. Step 5 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

All Priority 2A service on a pro rata basis.

f. Step 6 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

All Priority 1 non-residential service on a pro rata basis.

g. Step 7 is to be defined in SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 as follows:

All Priority 1 residential service on a pro rata basis.

h. Provisions related to storage injection and storage withdrawal are not incorporated into the curtailment procedures.

i. Off-system delivery (OSD) will be addressed by the SoCalGas and SDG&E Gas Rule 30 scheduling provisions. As such, the System Operator can discontinue OSD transactions to the extent providing the OSD service would make a supply-related situation worse, subject to the North American Energy Standards Board (NAESB) elapsed pro rata rules. The fifth bullet of SoCalGas Rule 30 Section D.5 is revised to read as follows:

Both Firm and Interruptible OSD rights, at any Delivery Point, can be reduced in any cycle, including during curtailment events, (subject to the NAESB elapsed pro rata rules) if, in the sole judgment of the Utility, the discontinuation or reduction of OSD service at that Delivery Point would diminish the need for the Utility to bring additional gas into the Utility's system at an additional cost or reduce the level of curtailment to any Utility customer.

j. SoCalGas Rule 23 Section C.3 is clarified so that, in addition to critical customers as defined in Rule No. 1, preference will be given to refinery minimum usage when they declare an operating emergency.

[2] The underlined sentence in this section only pertains to SoCalGas, so is not included in SDG&E Rule 14.

2. **Local Service Zones**

   a. The tariff maps defining the boundaries of the ten local service zones as presented in the Attachment to the Prepared Direct Testimony of Mr. David M. Bisi are adopted.

   b. SoCalGas Rule 23 Section C.1 and SDG&E Gas Rule 14 Section H.1 are revised to read as follows:

      When in the judgment of the Utility, operating conditions require curtailment of service <u>within one or more Local Service Zones, as defined in Rule 1, or within a sub-zonal area</u>, such curtailment shall be effectuated in the order and manner described below, unless otherwise specified in this rule. <u>To the extent operationally feasible, if a capacity constraint can be addressed by curtailing multiple zones while minimizing individual customer impacts, Utility will curtail multiple zones or subsets thereof</u>.[3]

   c. Local Service Zones may be a topic for consideration at the Utility Customer Forums described in SoCalGas Rule 41.

3. **Open Seasons, Rate Structures, and Contracts**

   a. Capacity Open Seasons are no longer required to be conducted in potentially capacity constrained areas.

   b. SoCalGas and SDG&E's end-use noncore rate schedules will no longer distinguish between Firm and Interruptible transportation service.[4]

   c. All noncore customer contracts for transportation service that are in effect on the effective date of the Settlement are terminated on the first day of the month following 90 days from the date of the decision, and new month-to-month contracts will be implemented.

   d. Electric Generators subject to curtailment in Step 1, Step 2, and Step 4 are not required to establish Curtailment Baseline Quantities (CBQs) in their transportation contracts.

4. **Other Tariff Provisions**

   a. The Service Interruption Credit provisions are removed from SoCalGas Rule 23 and SDG&E Gas Rule 14.

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[3] The underlined sentences in this section only pertain to SoCalGas, so are not included in SDG&E Gas Rule 14.

[4] SoCalGas Schedule No. G-BTS, Backbone Transportation Service, will retain firm and interruptible rate options.

b. Provisions related to diversion of customer owned gas in SoCalGas Rule 23 are revised as described herein. Diversions shall occur when operational conditions exist such that supply is insufficient to meet demand and deliveries to Core End-Use Customers are threatened. Subject to the obligations of Core Procurement Groups to utilize all available capacity associated with supply, SoCalGas may divert gas supply in its system from Noncore End-Use Customers to Core End-Use Customers. Emergency Flow Order (EFO) provisions will be deemed to apply under these conditions. If a Noncore End-Use Customer's supply is diverted, either involuntarily under this rule, or through a voluntary arrangement with representatives of Core End-Use or Noncore End-Use Customers, that Customer must stop or reduce its use of natural gas. Prior to a diversion, SoCalGas' Gas Acquisition department and Core Transport Agents, on behalf of their Core End-Use Customers, will use: (1) their own firm capacity, to the extent gas supply is available; (2) any As-Available capacity on the system at any receipt point to the extent gas supply is available; and (3) capacity made available from Noncore End-Use Customers or other Backbone Transportation Service (BTS) Customers pursuant to voluntary supply arrangements. Diversions will occur in the following order: a) Supply scheduled to Noncore End-Use Customers under Interruptible BTS will be diverted in order of increasing transmission contract price and on a pro rata basis for all volumes transported under the same price. However, supply under scheduled deliveries from storage will be treated as the highest priority Firm transmission service; b) Supply scheduled to Noncore End-Use Customers under Firm BTS is diverted on a pro rata basis; and c) Scheduled deliveries from storage will be treated as the highest priority Firm BTS and will be diverted on a pro rata basis. All Customers who use more gas during an involuntary diversion than their post-diverted supply will be assessed a $50.00 per Decatherm diversion usage charge, in addition to the EFO noncompliance charge. Supply scheduled to noncore End-Use Customers under Firm BTS whose gas supply is involuntarily diverted will receive a $50.00 per Decatherm diversion credit. Supply scheduled to Noncore End-Use Customers under Interruptible BTS whose gas supply is involuntarily diverted will receive a diversion credit based on the current market price of the diverted supply on the day it was diverted. The current market price will be based on an average of the published price data from Natural Gas Intelligence (NGI) and the InterContinental Exchange (ICE) for the applicable SoCalGas system receipt points, weighted by the supply mix of all gas received at the applicable system receipt points for on-system End-Use Customers for that day.

c. SoCalGas Rule 23, Curtailment Notification, will read as follows:

The Utility shall submit an Advice Letter to the Commission's Energy Division within 5 business days from the conclusion of a non-maintenance-related 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. The Utility shall submit an advice letter to the Commission's Energy Division within 5 business days from the end of each calendar quarter providing the same information for all maintenance-related curtailments over the reporting period.

d. Trading of curtailment requirements is limited to non-EG noncore and noncore cogeneration customers (to include non-dispatchable electric generation). SoCalGas Rule 23 Section C.2.(a) will read as follows:

Trades must be within the curtailed Local Service Zone(s).

e. The following language SoCalGas and SDG&E proposed for inclusion in SoCalGas Rule 23 Section A and SDG&E Gas Rule 14 Section A will not be included in the revised tariffs:

The Utility has the authority to temporarily shut off gas service without liability to any customer that fails to comply with a curtailment.

f. SoCalGas and SDG&E will not temporarily physically shut off gas service to any customer without first notifying the customer except in the case of an emergency.

g. SoCalGas Rule 30 Section E.2 will be maintained, except that the following phrase will be removed:

…(except for the express provisions of the Utility's Service Interruption Credit as set forth in Rule No. 23)…

h. SoCalGas Rule 23 Section F, <u>System Maintenance and Repair</u>, will read as follows:

Provisions related to system maintenance and repair are specified in Rule No. 30.

i. The proposed SoCalGas Rule 1 definition of "Electric Grid Operators" is revised to read as follows:

<u>Electric Grid Operators</u>: California Independent System Operator (CAISO), Los Angeles Department of Water and Power (LADWP),

Glendale Water and Power (GWP), Burbank Water and Power (BWP), and Imperial Irrigation District (IID).

j. The curtailment violation charge is $5 per therm, plus the daily balancing standby rate, applicable throughout the entire curtailment period. Maximum allowed usages are hourly figures, and hourly consumption is compared to hourly maximum allowed usage when calculating curtailment violation charges.

k. Curtailment noncompliance charge revenue is allocated to the Noncore Fixed Cost Account (NFCA) at each respective utility and revenue from the assessment of G-IMB daily balancing standby charge will be allocated to the Purchased Gas Account (PGA).

l. SoCalGas and SDG&E will provide all official curtailment instructions in writing via electronic mail, with attempts to follow up by a phone call.

m. Notice for maintenance-related outages will be a topic for discussion at the upcoming Customer Forum on June 2, 2016.

n. Unless otherwise modified by the Settlement, SoCalGas and SDG&E's proposed tariff modifications as presented in the Testimony and Attachments to the Prepared Direct Testimony of Mr. Tuan Nguyen and Mr. Paul Borkovich are adopted. The attached redlined SoCalGas Rule 1, Rule 23, and Rule 30 and SDG&E Gas Rule 14 contain the modifications agreed to by the Settlement.

III.
ADDITIONAL TERMS AND CONDITIONS

A. **The Public Interest**

The Settling Parties agree jointly by executing and submitting this Settlement that the relief requested herein is just, fair and reasonable, and in the public interest.

B. **Non-Precedential Effect**

This Settlement is not intended by the Settling Parties to be precedent for any future proceeding or any issues not included in the Settlement, including those identified in Section III.C of this Settlement. The Settling Parties have assented to the terms of this Settlement only for the purpose of arriving at the settlement embodied in this Settlement. Except as expressly precluded in this Settlement, each of the Settling Parties expressly reserves its right to advocate,

in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Settlement, and the Settling Parties expressly declare that, as provided in Rule 12.5 of the Commission's Rules, this Settlement should not be considered as a precedent for or against them. Likewise, the Settlement explicitly does not establish any precedent on the litigated issues in the case.

C. **Partial Settlement**

This Settlement is a partial settlement of issues. This Settlement does not include nor is it intended to be precedent for the daily balancing proposal submitted on March 1, 2016, by SoCalGas and SDG&E or related proposals from other parties. This Settlement is not intended to resolve issues not covered by the Settlement, or to preclude any of the Settling Parties from making any arguments or taking any positions with respect to such issues.

D. **Indivisibility**

This Settlement embodies compromises of the Settling Parties' positions. No individual term of this Settlement is assented to by any of the Settling Parties, except in consideration of the other Settling Parties' assents to all other terms. Thus, the Settlement is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this Settlement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Settling Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes to the Settlement in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Settling Parties acknowledge that the positions expressed in the Settlement were reached after consideration of all positions advanced in the prepared testimony of SoCalGas, SDG&E, CAISO, SCE, SCGC, and the Indicated Shippers, as well as proposals offered during

the settlement negotiations. This document sets forth the entire agreement of the Settling Parties on all of those issues, except as specifically described within the Settlement. The terms and conditions of this Settlement may only be modified in writing subscribed by all Settling Parties.

Dated this 28th day of April, 2016.

SOUTHERN CALIFORNIA GAS COMPANY and
SAN DIEGO GAS & ELECTRIC COMPANY

By: *\/s/ Michael R. Thorp*
MICHAEL R. THORP
Title: Chief Regulatory Counsel

CALIFORNIA INDEPENDENT SYSTEM OPERATOR

By: *\/s/ Andrew Ulmer*
ANDREW ULMER
Title: Director, Federal Regulatory Affairs

SOUTHERN CALIFORNIA GENERATION COALITION

By: *\/s/ Norman Pedersen*
NORMAN PEDERSEN
Title: Counsel

INDICATED SHIPPERS

By: *\/s/ Evelyn Kahl*
EVELYN KAHL
Title: Counsel

CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION

By: *\/s/ Ronald Liebert*
RONALD LIEBERT
Title: Counsel

SOUTHERN CALIFORNIA EDISON COMPANY

By: *\/s/ Colin Cushnie*
COLIN CUSHNIE
Title: VP of Energy Procurement & Management

Attachment to the Settlement Agreement

Proposed Tariff Modifications to
SoCalGas Rule 23, SoCalGas Rule 30,
SDG&E Rule 14, and SoCalGas Rule 1 Tariff Sheets

SOUTHERN CALIFORNIA GAS COMPANY Revised CAL. P.U.C. SHEET NO. 47351-G
LOS ANGELES, CALIFORNIA CANCELING Revised CAL. P.U.C. SHEET NO. 45385-G

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. ~~The Utility has the authority to temporarily shut off gas service without liability to any customer that fails to comply with a curtailment.~~

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*.

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~~Firm Service All usage served through firm intrastate transmission service.~~

~~Interruptible Service All usage served through interruptible intrastate transmission service. 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)

Rule No. 23 Sheet 1

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(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 within one or more Local Service Zones, as defined in Rule 1, or within a sub-zonal area~~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. To the extent operationally feasible, if a capacity constraint can be addressed by curtailing multiple zones while minimizing individual customer impacts, Utility will curtail multiple zones or subsets thereof. D

(1) In the event of a curtailment being called based on day-ahead forecasts of peak electric generation load as described in C.1.(2), all dispatchable electric generation not currently forecasted to be operating at the time the curtailment order is effective. In the event of a curtailment being called based on real-time demand, all~~All~~ dispatchable electric generation not operating when a curtailment order is issued.~~All Standby Procurement service.~~ D,N N D,N N

(2) ~~All Interruptible Off-system Delivery service. Customers will be curtailed on a pro rata basis (by equal percentage) at an off-system delivery point.~~ Up to 60% of dispatched electric generation load during November through March and up to 40% of dispatched electric generation load during April through October. To the extent operationally feasible, Utility will attempt to base these curtailments on day-ahead forecasts of peak electric generation loads provided by the relevant Electric Grid Operator(s) as defined in Rule 1. To the extent operationally feasible, Utility will work with affected Electric Grid Operators on a best efforts basis to reallocate the aggregate maximum allowed usage for the remaining dispatched electric generation load within the affected Local Service Zone(s) among all of the dispatchable electric generation facilities within the affected Local Service Zone(s) to maintain grid reliability and prevent firm electric load shedding. Any such reallocation shall be at the sole discretion of Utility, and the default in the absence of reallocation shall be pro rata within each affected Local Service Zone. If the relevant Electric Grid Operator(s) informs Utility that a proposed curtailment of dispatched electric generation load pursuant to this section could adversely affect electric grid reliability or cause shedding firm electric customer load, Utility may in its sole discretion reduce the proposed curtailment of dispatched electric generation load pursuant to this section and move to the next curtailment step. D

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

(3) Up to 100% of non-electric generation noncore and noncore cogeneration usage on a pro rata basis, except for pre-established refinery minimum usage requirements. Electric generation load that is not dispatchable by an electric grid operator and therefore not subject to curtailment in step 2 will be considered non-electric generation noncore load for the purposes of curtailment. Refineries, including cogeneration and ancillary facilities serving refineries, will be permitted to establish, subject to Utility's reasonable agreement, pre-established minimum usage requirements that are not subject to curtailment in this step. Refinery minimum usage requirements shall be established at the usage level required to safely operate refinery processing units, to avoid material damage to operating equipment and to avoid operational outages extending materially beyond the curtailment period and shall take into account other relevant factors such as the length of notice provided by Utility. ~~All Firm Off-system Delivery service. Customers will be curtailed on a pro rata basis at an off-system delivery point.~~

(4) a) Up to 100% of remaining refinery load not curtailed in step 3.
b) Up to 100% of remaining dispatched electric generation load not curtailed in step 2. To the extent operationally feasible, Utility will work with the affected Electric Grid Operators on a best efforts basis to reallocate the aggregate maximum allowed usage for any remaining dispatched electrical generation load within the affected Local Service Zone(s) among all of the dispatched electric generation facilities within the affected Local Service Zone(s) to maintain grid reliability and prevent firm electric load shedding. Any such reallocation shall be at the sole discretion of the Utility, and the default in the absence of reallocation shall be pro rata within each affected Local Service Zone.~~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) 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.~~

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

C. Curtailment of Service (Continued)

1. Effectuation of Curtailment (Continued) L

~~(6) 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) 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~~5) All Priority 2A service on a pro rata basis.

(~~9~~6) All Priority 1 non-residential service on a pro rata basis.

(~~10~~7) 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

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

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.~~

2~~3~~. Transfers of Intrastate Curtailment

A customer that has a currently effective maximum allowed usage within a curtailed Local Service Zone (Holder) may request to transfer all or a portion of its maximum allowed usage capacity (Trade) to another noncore customer (Recipient) that desires the capacity for the same Local Service Zone curtailment as designated in the Notice of Intrastate Curtailment Transfer (Form No. 6600) (Trading Agreement). The following process shall apply to all proposed trades of maximum allowed usage capacity:

a. Trades must be within the ~~same~~ curtailed Local Service Zone(s). L

b. Holder and Recipient shall submit to the Utility an original Trading Agreement signed by Holder and Recipient.

c. All Trade Requests must be approved by the Utility before the Trade may commence.

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

d. Utility shall determine, in its sole discretion, whether the proposed Trade is accepted or rejected based on operational feasibility and/or Recipient creditworthiness as set forth in the Utility's Rule 6.

e. Holder and Recipient may trade only the capacity amounts during the operating days or hours set forth in the Trading Agreement.

f. As of the first Trading Day and throughout the period subject to the Trade, all of Holder's obligations with regard to the traded capacity shall become Recipient's sole responsibility. Holder's maximum allowed usage will decrease and Recipient's maximum allowed usage will increase by the quantities set forth in the Trading Agreement executed by the Utility.

g. Trades are limited to Non-EG noncore and cogeneration customers.

~~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).~~

(Continued)

SOUTHERN CALIFORNIA GAS COMPANY Revised CAL. P.U.C. SHEET NO. 34021-G
LOS ANGELES, CALIFORNIA CANCELING Revised CAL. P.U.C. SHEET NO. 33043-G

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(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.~~

3~~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. To the extent operationally feasible, Utility will give preference to critical customers as defined in Rule No. 1 and refinery minimum usage when they declare an operating emergency.~~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)

(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.~~

4~~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~~order described in Section C.~~2~~ 1 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:~~ When operational conditions exist such that supply is insufficient to meet demand and deliveries to Core End-Use Customers are threatened, and subject to the obligations of Core Procurement Groups to utilize all available capacity associated with supply, SoCalGas may divert gas supply in its system from Noncore End-Use Customers to Core End-Use Customers. Emergency Flow Order (EFO) provisions will be deemed to apply under these conditions. (See Rule 30, Section G.2) If a Noncore End-Use Customer's supply is diverted, either involuntarily under this rule, or through a voluntary arrangement with representatives of Core End-Use or Noncore End-Use Customers, that Customer must stop or reduce its use of natural gas. In the event the Customer fails to stop or reduce its gas use, that Customer must pay charges as provided below.

Prior to a diversion hereunder, SoCalGas' Gas Acquisition department and Core Transport Agents, on behalf of their Core End-Use Customers, will use:

(1) their own firm capacity, to the extent gas supply is available;~~Voluntary Diversion Agreements~~

(2) any As-Available capacity on the system at any receipt point to the extent gas supply is available; and ~~Voluntary Core Protection Purchase Agreements~~

(3) capacity made available from Noncore End-Use Customers or other Backbone Transportation Service (BTS) Customers pursuant to voluntary supply arrangements.~~Involuntary Diversions~~ L

1. Involuntary Diversions~~Voluntary Diversion Agreements~~

(Continued)

SOUTHERN CALIFORNIA GAS COMPANY Revised CAL. P.U.C. SHEET NO. 33044-G
LOS ANGELES, CALIFORNIA CANCELING Revised CAL. P.U.C. SHEET NO. 32746-G
24647-G

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

SoCalGas may divert gas supplies from BTS Customers. Firm transportation to off-system is not subject to diversion. Diversions will occur in the following order:

a. Supply scheduled to Noncore End-Use Customers under Interruptible BTS will be diverted in order of increasing transmission contract price and on a pro rata basis for all volumes transported under the same price. However, supply under scheduled deliveries from storage will be treated as the highest priority Firm transmission service. (See D.1.c., below.)
b. Supply scheduled to Noncore End-Use Customers under Firm BTS is diverted on a pro rata basis.
c. Scheduled deliveries from storage will be treated as the highest priority Firm BTS and will be diverted on a pro rata basis.

~~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.~~

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

D. Diversions of Customer-Owned Gas (Continued)

2. Involuntary Diversion Compliance and Charges~~Voluntary Core Purchase Protection Agreements~~

All Customers who use more gas during an involuntary diversion than their post-diverted supply, whether or not their gas is subject to an involuntary diversion, will be assessed involuntary diversion charges. Those customers will be deemed to be receiving involuntarily diverted supply, and therefore will be assessed a $50.00 per Decatherm diversion usage charge, in addition to the EFO noncompliance charge.

Involuntary diversion compliance and charges will be based on the following: T T

a. For a Noncore End-Use Customer with automated meter reading (AMR) capability, compliance and the calculation after the involuntary diversion event of any involuntary diversion charge will be based on actual daily metered usage and the post-diverted supply. (Post-diverted supply is the original scheduled supply less the diverted volumes.)
b. For a Noncore End-Use Customer without AMR capability (all or part non-AMR capability) at their premises, compliance and the calculation after the involuntary diversion event of any noncompliance charge will be based on actual usage and the post-diverted supply.
c. For a Core Procurement Group (CP Group), compliance and the calculation after the involuntary diversion event of any involuntary diversion charge will be based on the latest available forecast from the core load forecast model for the CP Group prior to the time the event is called, up to and including a 5:00 p.m. Pacific Time Forecast, and the CP Group's original supply before involuntary diversion.

~~a. 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.~~

~~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. Compensation for Involuntarily Diverted Gas~~Involuntary Diversions~~

Supply scheduled to Noncore End-Use Customers under Firm BTS whose gas supply is involuntarily diverted will receive a $50.00 per Decatherm diversion credit. Supply scheduled to Noncore End-Use Customers under Interruptible BTS whose gas supply is involuntarily diverted will receive a diversion credit based on the current market price of the diverted supply on the day it T T

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

was diverted. The current market price will be based on an average of the published price data from Natural Gas Intelligence (NGI) and the InterContinental Exchange (ICE) for the applicable SoCalGas system receipt points , weighted by the supply mix of all gas received at the applicable system receipt points for on-system End-Use Customers for that day.

If no published daily price is reported on a given day, the prior published daily price from that index service will continue to apply for that day. If an index service is no longer available, SoCalGas reserves the right to choose another nationally recognized index to replace it.

~~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.~~

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(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

D~~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.2~~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.

E~~F~~. Service to Unaffected Local Service Zones (formerly 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~~ Local Service Zone curtailment, customers in ~~unconstrained areas~~ unaffected Local Service Zones may receive service while other customers of equal or higher priority are curtailed.

F~~G~~. System Maintenance and Repair

Provisions related to system maintenance and repair are specified in Rule No. 30.~~The Utility, shall have the right, without liability, to interrupt the receipt or delivery 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. Except in cases of unforeseen emergency, the Utility shall give a minimum of ten (10) days notice of such activity.~~ ~~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.~~ L

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

F~~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 and Utility and affected customers have not mutually agreed on a different order. For non-emergency curtailments related to system maintenance and repair, prorationing in step 2 and step 4 will be based on connected hourly capacity rather than dispatched load.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.~~

G~~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.~~

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H~~J~~. Curtailment Violations T

The Utility shall ~~read the meter of the curtailed customer at~~use metered hourly and daily usage recorded from the beginning ~~and~~ to the end of each curtailment period to calculate curtailment penalty charges for the applicable service curtailed. For other than a customer operating emergency as set forth in Section C.3~~6~~, customers failing to curtail on request will be assessed a penalty of $~~1~~5.00 per therm plus the daily balancing standby rate defined in Schedule No. G-IMB 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~~duration 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 the curtailment of ~~interruptible or firm intrastate~~local service, customers whose hourly consumption under their applicable service schedule exceeds their ~~authorized curtailment quantity~~maximum allowed usage during the curtailment of such service will be in violation of curtailment. The maximum allowed usage for dispatchable electric generation customers will be an hourly usage figure, as specified by the Utility. The maximum allowed usage for non-electric generation noncore and noncore cogeneration customers in step 3 will be equal to a percentage of their Curtailment Baseline Quantity (CBQ) divided by 24 hours, as specified by the Utility. CBQs will be established annually as a customer's peak day consumption in summer (April through October) and in winter (November through March) within the previous 24 months. In the event a customer does not have 24 months of operating history or a customer has a material change in operations, the customer's CBQ may be estimated. Curtailment violation penalties will be applied to all consumption that exceeds a customer's maximum hourly allowed usage.

~~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~~

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

~~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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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

H~~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.~~ D N

~~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.~~

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~~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 five business days~~24 hours of an announcement~~ from the conclusion of a non-maintenance-related 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. The Utility shall submit an advice letter to the Commission's Energy Division within five business days from the end of each calendar quarter providing the same information for all N

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

maintenance-related curtailments over the reporting period.

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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 | | 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, including during curtailment events, (subject to the NAESB elapsed pro rata rules) if, in the sole judgment of the Utility, the discontinuation or reduction~~provision~~ of OSD service at that Delivery Point would ~~result in~~ diminish the need for the Utility ~~having~~ to bring additional gas into the Utility's system at an additional cost or reduce the level of curtailment to any Utility customer. | | | | | | | | |
- ~~Curtailment/r~~Reduction of Interruptible OSD nominations at any Delivery Point will be prorated at that particular Delivery Point. N
- ~~Curtailment/r~~Reduction of Firm OSD nominations at any Delivery Point will be prorated at that particular Delivery Point. L

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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

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

2. The 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 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 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., 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 OFO day. The OFO day imbalance of a California Producer with an existing access agreement will be treated consistent with the terms of that access agreement. N N

(Continued)

San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 9390-G
Revised 6778-G
Canceling Revised Cal. P.U.C. Sheet No. 6779-G

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. ~~The Utility has the authority to temporarily shut off gas service without liability to any customer that fails to comply with a curtailment.~~

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.~~

C~~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

C~~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.~~

When curtailment of service is to be decreased, restoration of service shall be made (a) in the same manner as described in Section H 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 service in such order as it deems necessary irrespective of the curtailment order described in Section H herein.

D~~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. To the extent operationally feasible, Utility will give preference to critical customers as defined in Rule 1 when they declare an operating emergency.~~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~~.

E~~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: D

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

~~2. Firm Noncore Service 1/~~
~~Firm Intrastate Transportation Service.~~
~~Two Year Contract Term.~~
~~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)

San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 17935-G
Canceling Revised Cal. P.U.C. Sheet No. 16506-G

RULE 14

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

E~~I~~. Gas Transportation Service Levels (Continued)

3. ~~Interruptible~~ Noncore Service 1/
~~Interruptible Intrastate~~Local 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 H~~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.

F~~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. 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. Electric generation start-up and igniter fuel.

D

1/ See footnote sheet 2

(Continued)

RULE 14

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

G~~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).~~

H~~M~~. ~~Gas~~ Curtailment of Service~~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

H~~M~~. ~~Gas~~ Curtailment of Service~~and Constraints~~ (Continued) T

1. When in the judgment of the Utility, operating conditions require curtailment of service, such curtailment shall be effectuated in the order and manner described below, unless otherwise specified in this rule.

(1) In the event of a curtailment being called based on day-ahead forecasts of peak electric generation load as described in H.1.(2), all dispatchable electric generation not currently forecasted to be operating at the time the curtailment order is effective. In the event of a curtailment being called based on real-time demand, all~~All~~ dispatchable electric generation not operating when a curtailment order is issued.

(2) Up to 60% of dispatched electric generation load during November through March and up to 40% of dispatched electric generation load during April through October. To the extent operationally feasible, Utility will attempt to base these curtailments on day-ahead forecasts of peak electric generation loads provided by the relevant electric grid operator(s). To the extent operationally feasible, Utility will work with affected grid operators on a best efforts basis to reallocate the aggregate maximum allowed usage for the remaining dispatched electric generation load among all of the dispatchable electric generation facilities to maintain grid reliability and prevent firm electric load shedding. Any such reallocation shall be at the sole discretion of the Utility, and the default in the absence of reallocation shall be pro rata. If the relevant electric grid operator(s) informs Utility that a proposed curtailment of dispatched electric generation load pursuant to this section could adversely affect electric grid reliability or cause shedding firm electric customer load, Utility may in its sole discretion reduce the proposed curtailment of dispatched electric generation load pursuant to this section and move to the next curtailment step. L

(3) Up to 100% of non-electric generation noncore and noncore cogeneration usage on a pro rata basis. Electric generation load that is not dispatchable by an electric grid operator and therefore not subject to curtailment in step 2 will be considered non-electric generation noncore load for the purposes of curtailment.

(4) Up to 100% of remaining dispatched electric generation load not curtailed in step 2. To the extent operationally feasible, Utility will work with the affected grid operators on a best efforts basis to reallocate the aggregate maximum allowed usage for any remaining dispatched electrical generation load among all of the dispatched electric generation facilities to maintain grid reliability and prevent firm electric load shedding. Any such reallocation shall be at the sole discretion of the Utility, and the default in the absence of reallocation shall be pro rata. L

5) All Priority 2A service on a pro rata basis.

(6) All Priority 1 non-residential service on a pro rata basis.

(7) All Priority 1 residential service on a pro rata basis.

~~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:~~

(Continued)

RULE 14

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

~~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.~~

~~(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.~~

(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~~

~~(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)

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)~~

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 L

(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)~~

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)

San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 16786-G
Canceling Revised Cal. P.U.C. Sheet No. 11759-G

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)

San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 16787-G
Canceling Revised Cal. P.U.C. Sheet No. 11760-G

RULE 14

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

H~~M~~. ~~Gas~~ Curtailment of Service~~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 $5 per therm plus the daily balancing standby rate defined in Schedule G-IMB 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:~~. The maximum allowed usage for dispatchable electric generation customers will be an hourly usage figure, as specified by the Utility. The authorized usage for non-electric generation noncore and noncore cogeneration customers in step 3 will be equal to a percentage of their Curtailment Baseline Quantity (CBQ) divided by 24 hours, as specified by the Utility. CBQs will be established annually as a customer's peak day consumption in summer (April through October) and in winter (November through March) within the previous 24 months. In the event a customer does not have 24 months of operating history or a customer has a material change in operations, the customer's CBQ may be estimated. Curtailment violation penalties will be applied to all consumption that exceeds a customer's maximum hourly allowed usage. T

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~~

~~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.~~ L

~~Gas that is made available to the utility through voluntary core protection~~

(Continued)

RULE 14

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

~~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).~~

(Continued)

RULE 14

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

H~~M~~. ~~Gas~~ Curtailment of Service~~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.~~

4~~5~~. Curtailment Trading ~~Negotiation of Curtailment and Diversion Order~~ T

An SDG&E customer that has a currently effective maximum allowed usage (Holder) may request to transfer all or a portion of its maximum allowed usage capacity (Trade) to another SDG&E noncore customer (Recipient) that desires the capacity for the same curtailment as designated in the Curtailment Trading Agreement (Form 142-2010) (Trading Agreement). The following process shall apply to all proposed trades of maximum allowed usage capacity:

a. Holder and Recipient shall submit to the Utility an original Trading Agreement signed by Holder and Recipient.

b. All Trade Requests must be approved by the Utility before the Trade may commence.

c. Utility shall determine, in its sole discretion, whether the proposed Trade is accepted or rejected based on operational feasibility and/or Recipient creditworthiness as set forth in the Utility's Rule 6.

d. Holder and Recipient may trade only the capacity amounts during the operating days or hours set forth in the Trading Agreement. L

e. As of the first Trading Day and throughout the period subject to the Trade, all of Holder's obligations with regard to the traded capacity shall become Recipient's sole responsibility. Holder's maximum allowed usage will decrease and Recipient's

(Continued)

RULE 14

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

maximum allowed usage will increase by the quantities set forth in the Trading Agreement executed by the Utility.

f. Trades are limited to Non-EG noncore and cogeneration customers.

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.~~

(Continued)

RULE 14

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

~~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.~~

I~~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.

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. T

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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.

~~O. Service Interruption Credit~~

~~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~~.

(Continued)

RULE 14

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

~~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)

RULE 14

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

J~~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

Dispatchable Electric Generation: Electric Generation customers who operate in response to dispatch orders from Electric Grid Operators.

DEFINITIONS

(Continued)

Day: Period commencing at 12:00 midnight (Pacific time) on any calendar day and ending at 12:00 midnight (Pacific time) on the next succeeding calendar day.

DCQ: See Contract Quantity, Daily.

Decatherm: Ten therms or 1,000,000 British thermal units (MMBtu).

Direct Access (DA): Any end-use Utility customer electing to procure its natural gas, and any other CPUC-authorized energy services, directly from core transport agent (CTA). T

Direct Access Service Request (DASR): Request for enrollment, termination, or other change under the Core Aggregation Transportation (CAT) program. The DASR transaction outlined in Rule No. 32 was implemented pursuant to CPUC D.98-02-108.

Displacement Receipt Point Capacity: Utility pipeline system improvements which increase the take-away capacity from a receipt point but do not increase the overall downstream capacity of the Utility's backbone transmission system. The addition of Displacement Receipt Point Capacity increases the ability of the Utility to receive gas from a particular receipt point or zone in competition with other gas supplies delivered into the system.

Electric Generation: Use of natural gas to generate electricity, either directly or indirectly, including natural gas used for cogeneration or solar electric generation projects.

Electric Grid Operator: California Independent System Operator (CAISO), Los Angeles Department of Water and Power (LADWP), Glendale Water and Power (GWP), Burbank Water and Power (BWP), and Imperial Irrigation District (IID).

Electric Generation Startup and Igniter Fuel: Electric generation 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.

Electronic Billing: An option that customers can elect whereby the Utility provides billing information to the customer by means of a computer network such as the Internet or in a form to be used by a computer or similar electronic device to destinations mutually agreed upon between Utility and the customer, such as the Utility's web page, or a home banking, bill aggregator or financial institution website.

Electronic Bulletin Board (EBB): Southern California Gas' Internet based electronic gas transactions and information management computer system. Current trademarked name is SoCalGas' Envoy.

Electronic Bulletin Board (EBB) User: The customer's employee, agent or contractor who has been authorized to access the Utility's EBB on Form 6800 and is authorized to perform transactions and obtain information on behalf of the customer. D

Electronic Data Interchange (EDI): The sending and receiving of data and/or funds in a structured electronic format, commonly involving information technology and telecommunications technology.

(Continued)

(END OF ATTACHMENT 1)