

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #22411
RESOLUTION G-3604
March 21, 2024

R E S O L U T I O N

Resolution G-3604. Southern California Gas Company's 2023 Annual Compliance Report on System Operator's Southern System Reliability Purchases and Sales (October 1, 2022–September 30, 2023).

PROPOSED OUTCOME:

- Approves Southern California Gas Company (SoCalGas) Advice Letter 6219-G.

SAFETY CONSIDERATIONS:

- This resolution evaluates activities to maintain system reliability. These activities have an indirect impact on safety since they are taken to avoid curtailments to customers, some of whom may provide essential services.

ESTIMATED COST:

- Net cost of \$12.7 million.

By Advice Letter 6219-G, Filed on November 1, 2023.

SUMMARY

Pursuant to Decision (D.) 09-11-006 the Southern California Gas Company (SoCalGas) submitted Advice Letter (AL) 6219-G on November 1, 2023, containing its 2023 Annual Compliance Report (ACR) on the Utility System Operator's Southern System Reliability Purchases and Sales for the period from October 1, 2023, through September 30, 2023. The SoCalGas System Operator (System Operator) made 45 purchases and 58 sales to satisfy the Southern System minimum flow requirement (Southern System Minimum) at a net cost of \$12,700,089. This net cost includes \$53,655,811 for purchases and \$451,451 for transportation costs less \$41,407,173 in revenue from sales. This resolution finds the actions taken by SoCalGas to be reasonable and approves all 103 transactions.

BACKGROUND

This resolution serves to dispose of Advice Letter (AL) 6219-G. SoCalGas is required to file this advice letter annually pursuant to D.09-11-006, Resolution G-3542, and SoCalGas Rule No. 41, Section 26. Specifically, SoCalGas is required to provide a report by November 1 of each year demonstrating that the procurement activities of its System Operator¹ during the preceding 12 months ending September 30 were in compliance with the standards, criteria, and procedures set forth in Rule No. 41.

The purpose of these activities is to allow the System Operator to maintain the reliability of gas service on the southern part of the SoCalGas gas transmission pipeline system, which is referred to as the Southern System or Southern Zone. The Southern System requires a minimum amount of gas flow to operate reliably. Prior to 2007, the utility's Gas Acquisition Department (Gas Acquisition)² maintained minimum gas flow into the Southern System using core customer assets. This responsibility was transferred to the System Operator by D.07-12-019, and the costs for maintaining minimum gas flow were allocated to all customers.

D.07-12-019 also approved the following tools, which can be used by the System Operator to meet the Southern System Minimum:

- the ability to buy and sell gas on a spot basis as needed;
- the authority and the requirement to conduct at least one annual request for offers (RFO) seeking proposals for managing minimum flows; and
- the authority to submit an Advice Letter for approval of contracts that result from an RFO or open season process.

D.07-09-012 further ordered that SoCalGas record the net differences between the purchase costs and sales revenues in the System Reliability Memorandum Account (SRMA) for allocation to all ratepayers after reasonableness review.³

¹ Rule 41 refers to the "Operational Hub," which is a department within the System Operator umbrella.

² The Gas Acquisition Department purchases gas for core customers and is separated by a fire wall from the System Operator except under exceptional circumstances per D.07-12-019. Rule 41 refers to the Gas Acquisition Department as the Utility Gas Procurement Department.

³ The Preliminary Statement for the SRMA states: "Upon approval by the Commission of transactions recorded in the SRMA, SoCalGas will amortize the approved transactions in transportation rates effective January 1 of the following year. The transactions will be allocated on an Equal Cents Per Therm (ECPT) basis." https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_SRMA.pdf.

D.09-11-006 created criteria for determining the reasonableness of spot market purchases made outside CPUC-approved contracts. Subsequent resolutions authorized additional tools for meeting the Southern System Minimum and specified conditions for reasonableness.

Resolution G-3474, issued on July 17, 2012, allowed the System Operator to move natural gas from the Blythe/Ehrenberg receipt point to Otay Mesa, California, in order to support minimum flow requirements on the Southern System.

Resolution G-3487, issued on October 7, 2013, gave the System Operator the authority to enter into winter baseload gas contracts for the period December through March, to improve Southern System reliability provided the contracts meet certain criteria. On July 8, 2016, the CPUC authorized a three-year extension of that preauthorization of authority to enter into winter baseload contracts until March 31, 2019, in response to AL 4970-G.

The Commission approved AL 4978-G on July 21, 2016, which gave SoCalGas the authority to enter into summer baseload gas contracts to ensure Southern System reliability during the summer in the aftermath of the Aliso Canyon gas leak. Authorization for summer baseload contracts was extended through September 2018 via AL 5132-G. The Commission extended authorization for both summer and winter baseload contracts via Advice Letter 5454-G in 2019 and AL 5971-G in 2022. The current authorization expires March 31, 2025.

Resolution G-3542, issued on October 25, 2018, changed the due date for the Annual Compliance Report and Advice Letter from October 1 to November 1.

The criteria for determining the reasonableness of spot and baseload gas transactions are described in Sections 12-20 of SoCalGas' Rule 41. The sections relevant to this AL filing are Sections 14(a), 14(b), and 15 which are described below.

Section 14(a) provides that the System Operator's *day-ahead* spot market purchases or sales of gas will be deemed reasonable if the price is less than or equal to 110 percent of the Natural Gas Intelligence (NGI) Avg Index for the flow date and relevant trading point. Spot gas sales must be greater than or equal to 90 percent of the NGI Avg Index.

Section 14(b) states that the System Operator's transactions on the *intraday* spot market are reasonable if the spot purchase price is less than or equal to 110 percent of the NGI

High for the current flow date and relevant trading point. Spot sales are reasonable if they are greater than or equal to 90 percent of the NGI Low for the current flow date.

Section 15 provides that gas purchases or sales at prices outside the ranges specified in Section 14 of the tariff will be deemed reasonable if the needed volume can be procured on the Intercontinental Exchange (ICE). If the needed volume is not available, the System Operator may contact gas suppliers (other than Gas Acquisition or affiliates), request offers for the needed supplies, and record their offers for gas delivered to the relevant trading points. The System Operator must receive at least three offers from three different suppliers for comparison. The System Operator shall compare prices posted on ICE and prices quoted by its supplier contracts and select the best prices available to meet the quantities required to meet the Southern System Minimum. Verification that this procedure was followed must be included in the Annual Compliance Report.

NOTICE

Notice of AL 6219-G was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B and the service list for SoCalGas/SDG&E's Triennial Cost Allocation Proceeding (TCAP), A22-09-015.

PROTESTS

Advice Letter 6219-G was not protested.

DISCUSSION

The Commission has reviewed the Advice Letter and finds the actions taken by SoCalGas to maintain the Southern System Minimum to be reasonable and approves all of the transactions presented in AL 6219-G under sections 14(a), 14(b), and 15.

The CPUC has reviewed the Attachments to AL 6219-G and found that all of the purchase and sales transactions were correctly categorized and met the reasonableness

criteria specified in Rule 41 as shown in Table 1: Southern System Purchases 10/2022-9/2023 Table 1 and 2 below.

Table 1: Southern System Purchases 10/2022-9/2023

Section	# of Transactions	Transaction %	Purchase \$	Purchase %
14(b)	21	47%	\$19,855,815	37%
15	24	53%	\$33,799,996	65%
Total	45	100%	\$53,655,811	100%

Table 2: Southern System Sales 10/2022-9/2023

Section	# of Transactions	Transaction %	Sales \$	Purchase %
14(a)	55	95%	\$40,659,598	98%
14(b)	3	5%	\$747,575	2%
Total	58	100%	\$41,407,173	100%

The purchases and sales in the 2022-23 reporting period—which, when combined with the transportation cost of \$451,451 result in a net cost of \$12,700.089— comply with Rule No. 41 and are therefore subject to amortization in customer transportation rates effective January 1, 2025, on an equal-cents-per-therm basis.

COMMENTS

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

FINDINGS

1. Decision 09-11-006 directed SoCalGas to file an advice letter on October 1st of each year demonstrating that the System Operator’s purchases in support of the Southern System Minimum during the previous 12 months ending August 31st were in compliance with the standards described in Rule 41.
2. Resolution G-3542 changed the due date of the Annual Compliance Report to November 1st of each year and directed SoCalGas to show gas purchases for the 12-month period from October 1st through September 30th.
3. SoCalGas incurred a net cost of \$12,700,089 for gas purchases at the Southern System receipt points during the 2022-23 reporting period.
4. All of the gas purchases and sales presented in Advice Letter 6219-G met the requirements to be deemed reasonable under Rule 41 and should be approved.

5. Of the 45 purchases under Rule 41, 21 met the criteria of Section 14 (b) and 24 met the criteria of Section 15.
6. Of the 58 sales under Rule 41, 55 met the Section 14(a) criteria and three met the Section 14(b) criteria.
7. The SoCalGas purchases and sales in the 2022-23 reporting period comply with Rule 41 and are reasonable.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company Advice Letter 6219-G is approved.
2. SoCalGas shall amortize the \$12,700,089 in net costs recorded in the System Reliability Memorandum Account in customer transportation rates effective January 1, 2025.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 21, 2024; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director