

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Item #12 (Rev. 1)
Agenda ID# 24351
RESOLUTION G-3620
August 13, 2026**

R E S O L U T I O N

Resolution G-3620. Southern California Gas Company's 2025 Annual Compliance Report on System Operator's Southern System Reliability Purchases and Sales (October 1, 2024–September 30, 2025).

PROPOSED OUTCOME:

- Finds that the activities by Southern California Gas Company (SoCalGas) to maintain Southern System reliability from October 1, 2024, through September 30, 2025, complied with its Tariff Rule 41 Sections 10-20.
- Finds that SoCalGas's request to revise Gas Rule No. 41, Section 19 is reasonable and shall be approved as proposed.
- Finds that it is reasonable to approve SoCalGas's request to revise Gas Rule No. 41, Section 15 with conditions.

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 \$5.5 million.

By Advice Letter 6558-G, filed on November 3, 2025, and Supplemental Advice Letter 6558-G-A filed on February 27, 2026.

SUMMARY

Pursuant to Decision (D.) 09-11-006, SoCalGas submitted Advice Letter (AL) 6558-G, containing its 2025 Annual Compliance Report (ACR) on the Utility System

Operator's Southern System Reliability Purchases and Sales for the period October 1, 2024, through September 30, 2025. In AL 6558-G, SoCalGas also requested authorization to revise tariff guidelines in Section 15 and 19 of Gas Rule No. 41.

The SoCalGas System Operator (System Operator) executed 49 gas purchase transactions and 54 gas sale transactions to satisfy the Southern System minimum flow requirement (Southern System Minimum), at a net cost of \$5,524,502. This net cost includes \$13,390,422 for purchases and \$1,540,175 for transportation costs, less \$9,406,095 in revenue from sales.

SoCalGas seeks to revise Section 15 requirements to provide that when at least three price offers from three different suppliers are not available during a Southern System reliability procurement event, communication by the Operational Hub with at least five Southern System gas suppliers shall be deemed reasonable. SoCalGas states that this is necessary due to increasing difficulty obtaining three competitive price offers in a thinning market, particularly during later cycles.

SoCalGas also seeks to revise Section 19, arguing that the existing safe harbor for baseload purchases, which is based on the Natural Gas Intelligence (NGI) SoCal Border Average price plus 8.2 cents per dekatherm, no longer reflects current market conditions. SoCalGas proposes that the new safe harbor requirement be 110 percent of the NGI bidweek border price.¹

This resolution finds all of the transactions executed by SoCalGas to maintain Southern System Minimum to be reasonable and approves all transactions based on their verifiability, supported by the cross-referenced attachments provided. This resolution also authorizes SoCalGas's requested revisions to Section 19 of Gas Rule No. 41 as proposed. Moreover, this resolution authorizes SoCalGas's requested revisions to Section 15 of Gas Rule No. 41, subject to conditions.

BACKGROUND

This resolution disposes of Advice Letter (AL) 6558-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. Under these authorities, SoCalGas submits by November 1 of each year a report demonstrating that the procurement activities undertaken by its System

¹ Bidweek refers to the monthly natural gas trading period during which contracts for the following delivery month are transacted and used to establish published index prices.

Operator² during the preceding 12 months ending September 30 complied 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)³ 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 AL 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.⁴

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

² Rule 41 refers to the "Operational Hub," which is a department within the System Operator umbrella.

³ 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.

⁴ 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://tariffsprd.socalgas.com/scg/tariffs/content/?utilId=SCG&bookId=GAS§Id=G-PRELIM>.

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 to support minimum flow requirements on the Southern System.

Resolution G-3487, issued on October 7, 2013, authorize the System Operator 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 Commission 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 authorized SoCalGas to enter into summer baseload gas contracts to ensure Southern System reliability 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 further authorized summer and winter baseload contracts via AL 5454-G in 2019 and AL 5971-G in 2022. This authorization expired on 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 through 20 of SoCalGas's Gas Rule No. 41. The sections relevant to this filing are Sections 14(a), 14(b), 15, 17, and 19.

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

Section 14(b) provides that *intraday* spot market purchases are deemed reasonable if the purchase price is less than or equal to 110 percent of the NGI High Index for the applicable flow date and trading point. Intraday spot gas sales are deemed reasonable if the sale price is greater than or equal to 90 percent of the NGI Low Index.

Section 15 provides that purchases or sales at prices outside the ranges specified in Section 14 may nevertheless be deemed reasonable if the needed volumes are procured on the Intercontinental Exchange (ICE). If the needed volumes are not available, the System Operator may contact gas suppliers (other than Gas Acquisition or affiliates),

request price offers, and record their offers for gas delivered to the relevant trading points. At least three offers from three different suppliers must be obtained for price comparison. The System Operator shall compare ICE prices, if available, and supplier quotes, and select the lowest-cost option to meet the quantities required to meet the Southern System Minimum. Verification that this procedure was followed must be included in the ACR.

Section 17 states that purchases and sales other than those described in Sections 14, 15, and 16 will not be deemed unreasonable but shall be subject to review and any requests for explanation by the Commission's Energy Division in conjunction with the ACR.

Section 19 sets pre-approved "safe harbor" rules for longer-term baseload gas contracts to support Southern System reliability. If SoCalGas stays within defined volume limits, contract timing, and price benchmarks tied to NGI Bidweek indices, those baseload purchases and sales are automatically considered reasonable and recoverable, without case-by-case scrutiny. When such conditions are met, Energy Division deems the report of baseload contracts largely procedural.

NOTICE

Notice of AL 6558-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 applicable service lists, including the service list for Application A.25-09-014 (SoCalGas/SDG&E Cost Allocation Proceeding).

PROTESTS

SoCalGas's AL 6558-G received one protest by the Public Advocates Office (Cal Advocates), timely filed on November 24, 2025.

Cal Advocates' protest raised two primary concerns about revising Sections 15 and 19 of Gas Rule No. 41. Cal Advocates argued that the proposed revision to change tariffs in Section 15 could be subject to manipulation because SoCalGas had not demonstrated that the proposed "five-supplier" fallback would be sufficiently transparent or resistant to gaming. If supplier outreach were to be selectively conducted or timed in a manner that limits responses, it could potentially lead to higher procurement costs borne by ratepayers. Concerning the revision to Section 19, Cal Advocates argued that SoCalGas had not sufficiently demonstrated that replacing the existing "Southern Cal. Bdr. Avg. +

\$0.082/Dth” benchmark with a 110 percent of NGI Bidweek index benchmark would be reasonable and in the best interest of ratepayers. Cal Advocates requested additional time to evaluate SoCalGas’s supporting data, citing inconsistencies in previously provided data tables.

SoCalGas responded timely to Cal Advocates’ protest on December 3, 2025.

With regard to Section 15, SoCalGas maintained that market liquidity supporting Southern System reliability purchases has declined, resulting in fewer suppliers capable of delivering incremental gas during reliability events. SoCalGas stated that in 2025, only six of 17 contacted counterparties provided price offers during Southern System requests and that similar conditions are expected to persist due to competing demand for gas supplies from east of California and Mexico.

With respect to Section 19, SoCalGas provided historical pricing data demonstrating that the 8.2 cents per dekatherm (Dth) adder no longer reflects current Border-to-Citygate price differentials and that the proposed benchmark better reflects current market conditions.

DISCUSSION

Approval of the reported transactions in the ACR

The resolution approves all the purchases and sales transactions executed by SoCalGas to maintain the Southern System minimum flow requirements during the reporting period under sections 14(a), 14(b), 15, and 17 of Gas Rule No. 41.

Energy Division reviewed the transactions reported in AL 6558-G and Supplements and verified that all the purchases and sales were correctly categorized and met applicable reasonableness criteria specified in Rule 41 as categorized in the tables below. Table 1 summarizes 49 purchase transactions by SoCalGas, totaling \$13,390,422 in net commodity costs. In addition to net purchase costs, the System Operator incurred \$1,540,175 in transportation charges.

Table 1: Southern System Purchases from October 2024 through September 2025

Rule No. 41	# Transactions	Transaction %	Purchase \$	Purchase %
Section 14(a)	2	4%	\$24,450	0.2%
Section 14(b)	11	22%	\$1,905,499	14.2%
Section 15	33	67%	\$8,618,473	64.4%
Section 17	3	6%	\$2,845,000	21.2%
Total	49	100%	\$13,390,422	100%

Of the 49 purchases, Table 1-A focuses on the three purchase transactions that were subject to Energy Division’s reasonableness review pursuant to Section 17. SoCalGas explained that transactions TC #4232, TC #4234, and TC #4251 occurred during constrained operating conditions involving limited supplier availability and lack of ICE market liquidity. In the case of TC #4251, SoCalGas also documented that El Paso Natural Gas had declared a system-wide Strained Operating Condition (SOC) affecting supply deliverability through the Ehrenberg gas receipt point.

Table 1-A: Section 17 Purchase Exceptions

Transaction (TC #)	Date	Location	Price	Reason for Section 17	SoCalGas Justification
4232	8/22/24	Ehrenberg	\$4.00; Above 14(b) threshold	No ICE offers available	Supplier availability limited; time-sensitive reliability need
4234	8/22/24	Ehrenberg	\$4.00; Above 14(b) threshold	No ICE offers available	Follow-up procurement needed to maintain minimum flows
4251	8/29/24	Otay Mesa	\$15.00/Dth	No ICE offers; EPNG SOC	Ehrenberg supply constrained; Otay was only viable alternative to maintain reliability

Energy Division staff reviewed the explanations and supporting documentation provided by SoCalGas and find that the Section 17 transactions were reasonable under the circumstances.

Table 2 summarizes 54 transactions by SoCalGas, totaling \$9,406,095 in revenue from sales.

Table 2: Southern System Sales from October 2024 through September 2025

Section	# Transactions	Transaction %	Sales \$	Sales %
14(a)	39	72%	\$8,694,237	92%
14(b)	15	28%	\$711,858	8%
Total	54	100%	\$9,406,095	100%

The purchases and sales in the 2024-25 reporting period, which when combined with the transportation costs, result in a net cost of \$5,524,502, comply with Rule No. 41, and are therefore subject to amortization in customer transportation rates effective January 1, 2027, on an equal-cents-per-therm basis.

Approval of SoCalGas’s Proposed Revision to Section 19 of Gas Rule No. 41

This resolution approves SoCalGas’s proposed revision to Section 19 of Gas Rule No. 41.

In AL 6558-G, SoCalGas proposes to revise Section 19 of Gas Rule No. 41 to update the baseload safe harbor pricing standard to reflect current market conditions. Specifically, SoCalGas requests that baseload purchases be deemed reasonable if priced at or below 110 percent of the NGI Bidweek average for the SoCal Border–Ehrenberg trading point for the relevant baseload month(s) or, if that index is unavailable, at or below 110 percent of the NGI SoCal Border Average index.

The Commission finds that the existing 8.2 cents per Dth adder was developed under substantially different market conditions and no longer reflects prevailing Border-to-Citygate price differentials. The historical pricing data provided by SoCalGas show that the Citygate premium over Border pricing has widened materially since adoption of the existing benchmark.

The Commission has reviewed the protest of Cal Advocates and SoCalGas’s response. Cal Advocates had argued that SoCalGas had not provided sufficient data to support the proposed revision. However, after reviewing the supplemental information provided by SoCalGas, including Confidential Attachment A, the Commission finds that the record is sufficient to evaluate the proposed revision.

Accordingly, the Commission finds that SoCalGas’s Section 19 revision request is reasonable.

As proposed by SoCalGas, the revised text to Section 19 of Gas Rule No. 41 should read (bold text denotes added text and strikethrough text denotes removed text):

19. Should the Operational Hub deem it necessary or advisable to enter into baseload contracts for Southern System support at one or more of the Southern System receipt points, the Operational Hub shall be deemed to have made reasonable baseload purchases if: (1) the total cumulative baseload volumes at any time are less than or equal to 255,000 Dth/day in the months of December through March and 200,000 Dth/day in the months of July through September; (2) the price is less than or equal to **110% of the** NGI's Bidweek average for ~~"Southern Cal. Bdr. Avg." plus 8.2-cents/Dth~~ **"SoCal Border – Ehrenberg"** for the relevant baseload month(s); **however if this index is not available, then 110% of the NGI Bidweek average for "SoCal Border Avg." for the relevant baseload month(s) apply;** (3) the term is for the December-March or the July-September periods, or any subset of those periods; and (4) the baseload contracts can only be made for one season at a time and only within the nine month period directly preceding that season. The Operational Hub shall be deemed to have made reasonable sales of such baseload gas if: (1) for baseload sales, the sale price is greater than or equal to 90% of NGI's Bidweek average for "SoCal Citygate" for the relevant baseload month(s); and (2) for spot sales, the sale price is greater than or equal to 90% of the NGI Avg Index for the relevant trading point and trading period. This provision shall expire on March 31, 2028, unless extended by the Commission. SoCalGas may seek extension or modification of this provision by standard advice filing.

Approval of SoCalGas's Proposed Revision to Section 15 of Gas Rule No. 41

The Commission approves SoCalGas's proposed revision to Section 15 of Gas Rule No. 41, subject to the conditions adopted below.

SoCalGas proposed revising Section 15 to provide that when at least three offers are not available, communication with at least five Southern System gas suppliers shall be deemed reasonable. SoCalGas states that it made this request due to increasing difficulty in acquiring three offers from different suppliers during Southern System reliability events, particularly during later gas scheduling cycles. SoCalGas attributes these challenges to reduced market liquidity and increased competition for gas supplies from the Southwest and Mexico.

The Commission finds that SoCalGas has demonstrated increasing difficulty obtaining three bona fide price offers during Southern System reliability events.

The Commission also finds that Cal Advocates raised reasonable concerns regarding the potential for reduced transparency and diminished price competition under the proposed framework. Specifically, replacing a requirement for three supplier offers with a requirement to contact five suppliers reduces reliance on direct price competition and increases reliance on procurement process documentation.

The Commission therefore finds that additional safeguards are necessary to ensure that procurement activities conducted under the revised Section 15 framework remain transparent, verifiable, and subject to oversight.

Accordingly, approval of the Section 15 revision is conditioned upon the following requirements:

1) Supplier Participation Reporting

For events in which the five-supplier fallback is applied, SoCalGas shall include in future Annual Compliance Reports a summary table showing:

- a. total number of fallback events;
- b. the number of suppliers contacted per event;
- c. the number of offers received per event; and
- d. annual supplier response rates.

2) Documentation and Record Retention Requirement

SoCalGas shall submit records supporting Southern System reliability transactions, including supplier outreach records and ICE market checks with the Annual Compliance Report Advice Letter

3) Sunset and Review

The revised Section 15 provision shall expire on June 1, 2029, unless extended by the Commission. If SoCalGas wishes the revision to Section 15 to continue, it must demonstrate that it improved procurement outcomes without increasing ratepayer exposure in its November 1, 2028, Annual Compliance Report Advice Letter.

Accordingly, the Commission approves the proposed revision to Section 15, subject to the conditions adopted in this Resolution, which adequately address the concerns raised by Cal Advocates.

As proposed by SoCalGas, the revised text to Section 15 of Gas Rule No. 41 shall read (bold text denotes added revisions):

15. Purchases or sales at prices that are outside the ranges specified in Section 14 (a) and (b) above shall nevertheless be deemed reasonable if the Operational Hub abides by the following procedure: When the Gas Control Department determines that spot purchases are necessary to meet minimum flow requirements, the Operational Hub shall monitor ICE and record the relevant price information, if available, for deliveries of gas at all relevant trading points. If volumes available on ICE meet or exceed the minimum flow requirements, transactions for the volumes offered through ICE shall be deemed reasonable. The Operational Hub may also post an offer/bid on ICE for volumes. When less than the required volumes are available on ICE, the Operational Hub shall contact gas suppliers (other than the Utility Gas Procurement Department or affiliates), request offers for the necessary supplies, and record their offers for gas delivered to the relevant trading points to ensure at least three offers from three different suppliers are available for comparison. **If at least three offers are not available, then communication with at least five Southern System gas suppliers shall be deemed reasonable.** The Operational Hub shall compare prices posted on ICE and, if applicable, prices quoted by its supplier contacts, and select the best prices available to meet the quantities required to meet minimum flow requirements. Verification that the Operational Hub has followed this procedure shall be provided to the CPUC in the Annual Compliance Report described in Section 26 below.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution were neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on July 7, 2026, and placed on the Commission's agenda for August 13, 2026.

This resolution received no comments.

FINDINGS AND CONCLUSIONS

1. D.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 Gas Rule No. 41.
2. SoCalGas submitted AL 6558-G pursuant to Rule 41 and Resolution G-3542, which 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. AL 6558-G reports SoCalGas's incurred net cost of \$5,524,502 for gas purchases at the Southern System receipt points during the 2024-25 reporting period.
4. All of the gas purchases and sales by SoCalGas presented in AL 6558-G met the requirements to be deemed reasonable under Rule 41 and should be approved.
5. Of the 49 purchases under Rule 41, two met the criteria for Section 14(a), 11 met the criteria for Section 14 (b), 33 met the criteria for Section 15, and three met the criteria for Section 17.
6. The Section 17 purchase transactions were executed during constrained operating conditions and were reasonable under the circumstances.
7. Of the 54 sales under Rule 41, 39 met the criteria for Section 14(a) and 15 met the criteria for Section 14 (b).
8. Cal Advocates protested SoCalGas's proposed revisions to Sections 15 and 19 of Rule 41.
9. SoCalGas demonstrated that market conditions have materially changed, including reduced supplier participation and increased competition for deliverable gas supplies during Southern System reliability events, which support the need for limited operational flexibility.
10. The existing Section 19 pricing benchmark no longer reflects prevailing Border-to-Citygate price differentials.
11. The proposed revision to Section 19 better reflects current market conditions and is therefore reasonable.
12. The proposed revision to Section 15 reduces reliance on direct price competition and therefore requires additional safeguards.
13. The conditions adopted in this Resolution are necessary to ensure the transparency and oversight of procurement activities conducted under the revised Section 15 framework.
14. With the conditions adopted in this Resolution, the proposed revision to Section 15 is reasonable.

15. Cal Advocates' protest should be denied except to the extent addressed through the conditions adopted in this Resolution.
16. The concerns raised by Cal Advocates' protest can be addressed through conditions adopted in this Resolution.

THEREFORE IT IS ORDERED THAT:

1. SoCalGas's request in Advice Letter 6558-G and Supplemental Advice Letter 6558-G-A, that the Commission find its activities to maintain Southern System reliability from October 1, 2024 through September 30, 2025, complied with its Tariff Rule 41 Sections 10-20, is approved.
2. SoCalGas shall amortize the \$5,524,502 in net costs recorded in the System Reliability Memorandum Account in customer transportation rates effective January 1, 2027.
3. SoCalGas shall revise Section 15 of its Gas Rule No. 41, subject to the conditions adopted in this Resolution.
4. SoCalGas shall comply with all reporting, documentation, and sunset provisions adopted in this resolution for Gas Rule No. 41, Section 15.
5. SoCalGas shall revise Section 19 of its Gas Rule No. 41 as requested.
6. SoCalGas's Advice Letter 6558-G is conditionally approved.
7. Cal Advocates' protest is denied except to the extent addressed through the conditions adopted in this Resolution.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 13, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated August 13, 2026, San Francisco, California.