

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 30, 2017

Bret Lane, Chief Operating Officer
Southern California Gas Company
555 W. Fifth Street, GTI4D6
Los Angeles, CA 90013-1011

Subject: Affiliate Transactions to Support Gas Flows to Otay Mesa

Dear Mr. Lane:

In emails sent October 25, 2017, and October 27, 2017, the Southern California Gas Company's Core Gas Acquisition Department (Gas Acquisition) requested authority to enter into capacity contracts with affiliates without seeking prior approval from the Commission by Advice Letter, as required by Decision (D.) 06-12-029. Gas Acquisition seeks to secure deliveries of natural gas to the Otay Mesa receipt point. Specifically, Gas Acquisition requests an exemption between December 2017 and February 2018 for up to 210,000 MMBtu/d of capacity on each pipeline needed to bring gas from the El Paso pipeline to Otay Mesa. These pipelines include North Baja, Gasoducto Rosarito, and Transportadora de Gas Natural Pipeline (TGN). Gas Acquisition holds Backbone Transmission Service (BTS) rights at TGN Otay Mesa.

Gas Acquisition requests this action in response to recent outages on two SoCalGas transmission pipelines, which, in addition to the previous outage on Line 3000, have decreased natural gas import capacity to Southern California by 42 percent. Specifically, CPUC's Energy Division is aware of at least the following reasons for SoCalGas' request:

- (i) Line 4000 out of Topock and Needles has been out of service since September 18, 2017; and
- (ii) Line 235-2 experienced a non-fatality, non-injury explosion in Newberry Springs, CA on October 1, 2017, and is out of service.

CPUC Energy Division Staff inform me that according to SoCalGas' online bulletin board, ENVOY, Line 4000 will be out of service until December 30, 2017; Line 3000 will be out until May 1, 2018; and there is currently no estimate for when Line 235-2 will return to service. Flowing gas through Mexico to the Otay Mesa receipt point would allow Gas Acquisition to increase supplies to San Diego, thereby allowing more gas to flow to Los Angeles. Without increased flowing supplies, Gas Acquisition will likely need to withdraw gas from storage on a regular basis early in the winter season, potentially depleting storage inventory in advance of the coldest winter months. Gas Acquisition states that there is competition with other customers to secure pipeline capacity to Otay Mesa, and potential sellers are unlikely to wait the 30-45 days needed for an expedited Advice Letter to approve an affiliate contract.

In recognition of these challenges to energy reliability this winter, Gas Acquisition should take immediate action to increase natural gas import capacity. Commission Policy CL-1 states:

“It is the Commission’s policy that:

4. The Executive Director shall have authority to act expeditiously and in coordination with other agencies of the State of California in emergencies endangering public health, safety, and the environment.”

For this reason, the Executive Director is empowered to take action in an emergency.

By this letter, I grant authority to Gas Acquisition to acquire up to 210,000 MMBtu/d of pipeline capacity for each of the months of December 2017, January 2018, and February 2018, to meet the needs of SoCalGas’ core customers during those months. Gas Acquisition should make all best efforts to secure the capacity at the lowest cost consistent with the needs of meeting core demand, including, if cost-competitive, capacity from SoCalGas’ affiliates.

In order to allow review of the costs of any affiliate contracts, SoCalGas shall within three business days of this letter file a Tier 3 Advice Letter, requesting authority to establish a memorandum account to record all costs incurred to acquire capacity to serve core needs as described above. This will allow the Commission to consider whether to include these costs in gas rates at a later date, either in a general rate case or other proceeding.

Pre-approval of affiliated contracts for gas capacity and supplies with recording of all costs in a memorandum account for subsequent reasonableness disposition is consistent with D.06-12-029 (Order Adopting Revisions to the Affiliate Transaction Rules and General Order 77-L). The Advice Letter shall be served on all applicable recipients including those on the service list for I.17-02-002 (Aliso Canyon Order Instituting Investigation), I.17-03-002 (Aliso Canyon Out of Service Investigation), A.15-06-020 (Curtailement and Daily Balancing), A.14-12-017 (Phase 1 Triennial Cost Allocation Proceeding), and A.15-07-014 (Phase 2 Triennial Cost Allocation Proceeding).

Thank you for your continued efforts to provide safe, reliable energy service.

Sincerely,



Timothy Sullivan
Executive Director

cc: Edward Randolph, Director, Energy Division
Dan Skopec, SoCalGas Regulatory Affairs
Brian Prusnek, Sempra Regulatory Affairs