

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.

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 commercial and non-refinery industrial 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 commercial and non-refinery industrial usage of 20,800 therms or greater per active month* who elect to remain core customers.

Noncore Service

Noncore Service includes: (1) commercial and industrial usage electing noncore service, (2) electric generation, enhanced oil recovery (EOR), and refinery usage less than 20,800 therms per active month* who have not elected core service, and (3) all electric generation, refinery and enhanced oil recovery (EOR) usage greater than 20,800 therms per active month*.

Firm Service All usage served through firm intrastate transmission service.

Interruptible 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 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. An active month is one in which consumption exceeds 1,000 therms.

(Continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 3622
 DECISION NO.

ISSUED BY

Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Apr 7, 2006
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RESOLUTION NO. _____

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Rule No. 23

Sheet 2

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

C. Curtailmnt of Service

1. Effectuation of Curtailment

When in the judgment of the Utility, operating conditions require curtailment of service 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.

- (1) All interruptible noncore Standby Procurement service.
- (2) All firm noncore Standby Procurement service.
- (3) All interutility service provided under Schedule No. GIT.
- (4) All as-available storage withdrawal service, provided under Schedule No. G-AUC, or portions thereof according to the as-available 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 (by equal percentage) with the exception that all UEG service shall be curtailed before cogeneration service where such service is at the same percentage of default.

(Continued)

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

C. Curtailement of Service (Continued)

2. Curtailement of Firm Intrastate Service (Continued)

In the event of a firm service curtailement, the Utility shall curtail, in unison, that number of customer blocks necessary to provide for a sufficient level of curtailement. 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 curtailement is reached that is operationally necessary. At the conclusion of the curtailement 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 curtailement, the alternating rotation process for such list shall continue at the beginning of the list.

In the event the curtailement of the last customer block selected would result in exceeding the level of curtailement operationally necessary, then the customers within that block shall be selected for curtailement based on the customer order within the block. Those customers not selected shall be treated as a separate block in succeeding curtailement rotations. If the curtailement of an individual customer would result in exceeding the level of curtailement necessary, then such customer shall be curtailed only to the level of curtailement which is necessary. Such partial curtailement 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 curtailement episode, UEG customers must be curtailed at least once using the alternating rotation process described above before beginning the curtailement order of cogeneration customers.

3. Transfers of Intrastate Curtailement

Firm and interruptible intrastate customers may make arrangements among themselves to transfer curtailement requirements in the event the Utility curtails service. Through such arrangements, responsibility for the curtailement imposed by the Utility shall be transferred from the original customer to be curtailed ("original curtailement assignee") to another customer or group of customers ("curtailement transferee") who would not otherwise be curtailed. All of the customers involved in the curtailement transfer must execute and provide to the Utility a Notice of Intrastate Curtailement Transfer (Form No. 6600).

(Continued)

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Chief Regulatory Officer

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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.

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.

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. 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.

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William L. Reed
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 Chief Regulatory Officer

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

C. Curtailment of Service (Continued)

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.

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 described in Section C.2 herein.

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:

- (1) Voluntary Diversion Agreements
- (2) Voluntary Core Protection Purchase Agreements
- (3) Involuntary Diversions

1. Voluntary Diversion Agreements

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.

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

D. Diversions of Customer-Owned Gas (Continued)

2. Voluntary Core Purchase Protection Agreements

The Utility may also enter into Voluntary Core Protection Purchase Agreements (VCPAs) 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 VCPA 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 VCPAs on a least-cost basis, with least expensive supplies being purchased first, to the extent operationally feasible.

As part of a VCPA, 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 VCPA shall specify the conditions under which such a transfer would be allowed by the Utility.

3. Involuntary Diversions

To the extent that VCPA, 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.

(Continued)

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

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. Special conditions which apply to scheduled maintenance for firm intrastate service are set forth in Section L herein.

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.

I. Wholesale Service Excluding SDG&E

Wholesale customers, excluding SDG&E, 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.

J. Wholesale Service to SDG&E

The Utility and SDG&E shall operate as independent gas systems to the extent operationally feasible. The Utility shall curtail its noncore customers only to the extent necessary to maintain service to its own core customers. Likewise, SDG&E shall curtail service to its noncore customers only to the extent necessary to maintain service to its own core customers. Neither the Utility nor SDG&E shall curtail its noncore customers to serve the core requirements of the other except as expressly provided by a mutual assistance agreement between the two utilities.

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

K. Curtailment Violations

The Utility shall read the meter of the curtailed customer at the beginning and end of each curtailment period for the applicable service curtailed. For other than a customer operating emergency as set forth in Section C.6, customers failing to curtail on request will be assessed a penalty of \$1.00 per therm 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 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 curtailment of interruptible or firm intrastate service, customers whose consumption under their applicable service schedule exceeds their authorized curtailment quantity during the curtailment of such service will be in violation of curtailment.

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 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).

(Continued)

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

K. 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.

L. 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, or (2) a curtailment of Standby Procurement 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.

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.

(Continued)

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

L. 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.

M. Performance of Aggregators

~~To assure that firm interstate nominations and deliveries into SoCalGas' transmission and distribution system by aggregators are equivalent in reliability to those made by SoCalGas for core procurement customers, SoCalGas may implement an Operational Flow Order (OFO) as described in Rule No. 32, Section G.~~

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