

Summary of the Key Components of the New Curtailment Rules¹

Curtailment Rules & Tariffs

- Modifies Rules 23, 30, and 41
- Modifies Tariff G-TLS
- Removes Tariffs GT-I & GT-F
- Creates a new Tariff GT-NC

Changes to Schedule A Contracts

- All noncore contracts will be updated by November 1, 2016 to reflect changes to the new curtailment rules and procedures.
- Contract terms will now be month-to-month for noncore transportation service. End-use noncore rate schedules will no longer distinguish between firm and interruptible transportation service.
- With the removal of firm/interruptible rates, there will no longer be Open Seasons in San Joaquin Valley, the Rainbow Corridor or SDGE's territory.
- Updated contracts were mailed out in mid-September.
- No action is required on the part of the customer unless the customer wishes to change their rate or contact information. Customers do not need to sign updated contracts.

Changes to Curtailment Order

- SoCalGas/SDGE system divided into 10 new geographic end-use transportation curtailment zones known as "Local Service Zones".
- Step 1 (former Priority 4) – All dispatchable electric generators (EG) that are not running or are not currently forecasted to run at the time of the curtailment order shall remain off within the impacted Local Service Zone(s).
- Step 2 (former Priority 4) – Up to 60% of electric generation load in the winter months; up to 40% of electric generation load in summer months.
- Step 3 (former Priority 3) – Up to 100%, pro rata non-core cogeneration and non-electric generation noncore within the impacted Local Service Zone(s). Refineries and ancillary refinery facilities may be permitted to establish pre-established minimum usage as specified in their contract during this time.
- Step 4a, up to 100% of remaining refinery load not curtailed in Step 3.
- Step 4b, up to 100% of remaining EG load not already curtailed in Step 2.
- Step 5, all Priority 2A load, pro rata.

¹ This summary is intended for informational purposes only. Please see the revised tariffs and proceeding (A.15-06-020) documents for complete information about the new curtailment rules and procedures. The tariffs and proceeding information can be found at: https://socalgas.com/regulatory/documents/a-15-06-020/D1607008_Curtailment_Procedures.pdf.

Maximum Allowed Usage

Dispatchable EG

- Dispatchable EGs are those that are dispatched by a grid operator such as CAISO, LADWP, Imperial Irrigation District (IID), or Burbank, Glendale or Pasadena Water & Power, etc. SoCalGas' Gas Control will notify the appropriate grid operator of a curtailment for dispatched EGs.
- In a Step 1 curtailment, EGs that are currently operating will have a max allowed usage of their current burn or as agreed between Utility and grid operators. Dispatchable EGs that are not burning or not currently forecasted to be operating at curtailment initiation will have a max allowed usage of 0.
- In a Step 2 curtailment, forecasted or current burn of dispatchable EGs may be reduced by 60% in winter months or 40% in summer months. To the extent operationally feasible, the Utility will work with affected Electric Grid Operators on a best efforts basis to reallocate the aggregate maximum allowed EG usage so as to support electric grid reliability and to avoid loss of electricity service (brown-outs and black-outs).
- 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.

Noncore Commercial/Industrial and Non-Dispatchable EG

- The Maximum Allowed Usage amounts for commercial and industrial noncore customers and non-dispatchable electric generation customers are based on Curtailment Based Quantities (CBQs).
- The CBQs for these customers 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. The maximum allowed usage will be the percentage of their Curtailment Baseline Quantity (CBQ) divided by 24 hours.
- In the event a customer does not have 24 months of operating history or has a material change in operations, the customer's CBQ may be estimated by The Utility.
- SoCalGas representatives will notify customers of their winter and summer Curtailment Based Quantities on an annual basis.

Refineries

- Refineries are allowed a *Minimum Usage Requirement* to burn during Step 3 of a curtailment.
- Refineries' CBQ is therefore the peak day consumption less the *Minimum Usage Requirement*.
 - $\text{Maximum Allowable Usage} = \text{CBQ} - ((\text{CBQ} - \text{Minimum Use Required}) * \% \text{ curtailment})$
- Refineries will need to provide their company representative with their minimum usage needs to establish their *Minimum Usage Requirements* that they will be held at in the event of a curtailment. This minimum usage will be formalized in the customer's contract.
- *Minimum Usage Requirements* are the usage levels 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.

Wholesale

- Wholesale will need to provide their Account Managers with their Noncore demand minus the

dispatchable electric generation, which will be used to determine their maximum allowable usage during a curtailment event.

- Wholesale's CBQ is the peak day consumption of noncore demand from the past 24 months.
 - Maximum Allowable Usage = CBQ of noncore peak day demand * % curtailment

Frequently Asked Questions²

Why are the curtailment rules changing?

The old gas curtailment rules, initially devised in the early 1990s, did not reflect recent changes in the natural gas and electricity marketplaces. Electricity Generator operations have changed due to the formation of California Independent System Operator (CAISO), which combined the former independent electrical transmission systems of the investor-owned utility grids into a single statewide managed grid. Stricter air quality rules have limited the former day-to-day use of alternative fuels for electrical generation in southern California. The decommissioning of the SONGS nuclear station has increased the local demand for natural gas powered electric generation on the southern system. California's Renewable Electricity statutes now require that 33% of the supply be provided by renewable resources by the year 2020 and 50% by 2030. All of these market changes have combined to reshape how natural gas will be used for electricity generation and to support electricity grid reliability operations now and into the future. Generally, natural gas demand for base electrical generation load is decreasing while natural gas is simultaneously becoming a key part of renewable integration through the use of large, fast starting gas turbine peaking operations at non-traditional times of the year, season and day.

Explain how a curtailment will be executed in terms of customers being curtailed with the new curtailment order

- a. SoCalGas will determine there may be a supply shortage or a transportation capacity issue hindering the ability to meet gas demand in a specific area.
- b. SoCalGas will work with electric grid operators to determine if large electric demand load can be moved outside of an affected area. This is called Gas-Electric Coordination. If coordination is not successful in reducing load to necessary levels, curtailment watch may be called and posted on Envoy.
- c. Customers will be curtailed in the sequential order by Steps; customers falling under Step 1, are the first to be curtailed, customers falling under Step 2 are the next to be curtailed, and so on, through Step 7. Customers will be notified by their Account Managers regarding if and how they are affected.
- d. When a curtailment is ended, it will be posted to Envoy and customers will also be contacted by their Account Managers.

When curtailments end, how will customers be brought back on line?

Curtailments are considered emergency situations and the way they end will depend on the situation. Sometimes load can be brought back on incrementally, in which case the higher priority customers will be brought back on first. In some occasions, all customers can be brought back online at the same time. If an operational emergency is called, SoCalGas reserves the right to bring customers back on out of order in order to preserve operational stability and to protect higher priority customers.

How will curtailment notifications occur?

The official curtailment notifications will be posted to Envoy. Customers are encouraged to gain

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Envoy access and set up notifications so they are aware of curtailment activity. Although customers will be contacted by their Account Managers, the earliest notification is through Envoy.

In addition to Envoy, SoCalGas/SDGE account representatives will notify customers with curtailment instructions.

How are curtailment baseline quantities (CBQs) calculated?

For each noncore facility, CBQs will be generated based on the customers' peak summer day (April through October) and peak winter day (November-March) during the past 24 months. The initial CBQs will be in the customer's contract and the CBQs will be updated annually thereafter. Customers should contact their Account Manager if they have questions regarding their CBQs. Dispatchable electric generators will not have CBQs as they are curtailed based on usage as determined by their respective grid operators.

What is the difference between MSQs and CBQs?

Under the previous curtailment rules, the monthly scheduled quantities (MSQs) were a term of the customer's contract. The MSQs were calculated off historical usage or planned operations and customer equipment. If a curtailment was called, the customer's MSQs were divided by the number of days in the month to generate the Allowable Curtailment Quantity (ACQ).

Under the new curtailment rules, CBQs are daily quantities rather than monthly and they are based on the peak day of usage in the summer and winter seasons in the past 24 months. CBQs will be divided by 24 and made into an hourly limit, which was previously only practiced in constrained areas. The CBQs will automatically be updated annually so customers will always have updated CBQs and will not require new contracts.

What if I need my CBQ adjusted because I am adding load or opening a new facility?

CBQs can be calculated or adjusted for new facilities or added load to an existing facility. If a customer is changing their end use equipment, changing load, or adding new facilities, they should contact their Account Manager to have updated a CBQs generated and documented in a new contract.

How much advance notice will I receive of a curtailment?

SoCalGas gives a minimum of ten (10) days advance notice except in the event of unforeseen emergencies. In these cases, curtailment notices can occur anywhere between 48 hours to less than an hour notice. The warning is based on weather forecast, capacity constraints, scheduled supply, pipeline construction, and electric demand. In the event of an unforeseen emergency, SoCalGas curtails customers only as a last resort and therefore when curtailment is called, it is typically with very little notice. Customers should set up notifications in Envoy for curtailment notices.

I'm in a two year contract. Do I need to finish my contract term?

No. All existing contracts will be updated with a month-to-month term effective November 1, 2016 with the exception of negotiated contracts. The process of generating updated contracts will begin September 1, 2016 and will be completed by November 1, 2016.

I prefer to have a two-year contract term rather than a month-to-month contract. Is this possible?

No, contracts with terms greater than one month are no longer offered under the new tariffs with the exception of negotiated contracts

I have a noncore negotiated contract. Will my contract be changed to month-to-month?

No, the originally negotiated term of the contract will apply.

I would like to switch to core service at this time. Is that possible?

Yes. If you qualify for core service and wish to switch to core at this time, please contact your Account Manager to begin the process. Any customer transferring from noncore to core must agree to core service for a term of five years with one of those 5 years at the crossover rate. SoCalGas requires notification in writing 20 days prior to contract expiration for rate changes to be implemented.

I'm in a constrained area, how does this rule change affect me?

Effective November 1, 2016, constrained areas will no longer exist. SoCalGas will no longer be holding open seasons to bid for firm rights, as there will no longer be firm and interruptible priority differences. All noncore customers in the areas previously described as constrained areas will now be subject to the new curtailment order (Steps 1-5, as discussed above).

How will I know what Local Service Zone my facility is located in?

Customers may be able to determine their Local Service Zone based on the attached map. However, if it is unclear from the map what your operational zone is, please contact your Account Manager. There are approximately 20 detailed maps of the new Local Service Zones included in [Dave Bisi's testimony](#).

Can I still trade my volumes to another facility in the event of a curtailment?

If a curtailment is called, CBQ volume transfers between two facilities will be considered if both facilities are within the same Local Service Zone and within the same curtailment area. Customers must fill out [Form 6600](#) and provide it to their Account Manager. SoCalGas will review the transfer request and Account Managers will notify customers whether or not the transfer was approved. It is at SoCalGas' discretion whether or not transfers will be granted and in some situations, transfers may not be approved.

If a refinery or refinery facility finds that their minimum allowable usage is too low, can it be updated at a later time?

Customers should contact their Account Manager to have their minimum allowable usage recalculated. Notice must be provided a minimum of 20 days before the end of the month in order for a new contract to be generated to begin the first of the next month.

What if I am unable to shut down during a curtailment for safety reasons?

If a customer cannot reduce load for safety reasons or risk of damage to equipment, they may file for an operational emergency by contacting their Account Manager. The request will be evaluated by SoCalGas and the customer notified whether the request was approved.

What happens if I do not reduce my gas usage?

Customers who do not reduce will be penalized \$5 per therm used above their allowable usage amount.

May Customers Change their Curtailment Baseline Quantity?

Customers may request changes to their contract, such as Curtailment Baseline Quantity, similar to requesting MSQ changes today for added load or a new facility.

May customers terminate their Month to Month contract and execute a new one with different terms?

Yes. Since new contracts will be on a Month to Month term, Customers may terminate their contract each month and execute a new one with different terms (such as CBQs, Minimum Usage Amounts, etc). Customers must provide SoCalGas written notice 20 days prior to expiration of the current contract.